Austria ... Sch. 28	Indonesia .. Rp 3100	Philippines .. Pes 20
Bahrain .. Din.0.650	Israel .... NS 3.50	Portugal .. Esc 100
Belgium BFr.45	Italy .... L 1500	S. Arabia .. Rls 6.00
Canada .... C$1.00	Japan Y550	Singapore . S$ 4.10
Cyprus .... C£0.75	Jordan Fils.500	Spain .... Pts 125
Denmark .. Dkr.8.00	Kuwait Fils.500	Sri Lanka .. Rup 30
Egypt ..... E£1.80	Lebanon .. CL 25.00	Sweden .. Skr 7.00
Finland .. Fmk 6.50	Luxembourg . LFr.45	Switzerland SFr 2.20
France .. FFr. 6.50	Malaysia .. Rin 4.25	Taiwan ... NT $65
Germany . DM 2.20	Mexico .. Pes..300	Tunisia .. Din 1.375
Greece ..... Dr 80	Morocco .. Dh 8.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands . Fl 2.75	U.A.E. ... Dh 6.50
India .... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,101 Thursday December 4 1986 D 8523 B

Test for EEC attitude to Japan, Page 5

World news

Britain to appeal over spy secrets

Britain gave notice of appeal against an Australian Supreme Court order to hand over top secret documents to a former MI5 agent's legal advisers who are fighting a legal battle to have his memoirs published. It will be heard today.

The creation of an external review body to oversee Britain's security service would remain impossible as long as the Labour Party breached the political consensus on defence and security issues, Home Secretary Douglas Hurd told the House of Commons.

But Labour spokesman Gerald Kaufman accused Prime Minister Margaret Thatcher and her ministers of "corrupt decision-making." Page 7

Pretoria crackdown

South African security forces detained 13 young whites and imposed restrictions on 12 others after overnight raids in Cape Town and Johannesburg on the End Conscription Campaign, the organisation said. Page 4

Mandela pelted

Black nationalist leader Winnie Mandela was pelted with rubbish by an angry black crowd outside a Cape Town court. They were apparently upset because she attended the trial of a woman they regard as a common criminal.

French scorn vote

France said it would ignore Tuesday night's UN vote declaring its Pacific territory of New Caledonia subject to decolonisation procedures and said it would not allow UN observers to visit it.

Punjab calls in army

The Punjab government opened the way for deployment of the Indian Army in about half the state, its strongest move in two years to fight Sikh terrorism.

Sikhs to hang

Three Sikhs convicted of killing Prime Minister Indira Gandhi in 1984 had their appeals rejected and were ordered to hang by High Court judges in New Delhi.

Danes 'bugged'

Denmark has found bugging devices hidden in the ceilings at its Warsaw embassy and will protest to Poland, Danish Foreign Minister Uffe Ellemann-Jensen announced in Copenhagen.

Threat to Paris court

Regis Schleicher, 29, one of three alleged Action Directe terrorists accused of the murder of two policemen, threatened reprisals against the judges and jury in a Paris court. He said: "All those sitting here will expose themselves to the rigours of proletarian justice".

Israelis get life

Three Israelis were jailed for life in Tel Aviv for murdering an Arab taxi driver in revenge for the killing of a Jewish taxi driver.

Mafia trial hitch

The judge conducting one of Sicily's mass Mafia trials at Messina has asked to stand down after a series of disputes with defence lawyers, putting the future of the hearing in jeopardy.

Ukrainians sacked

Five railway officials have lost their jobs and one of them was expelled from the Communist Party as a result of a train accident at the small Ukrainian station of Koristovka last month in which an undisclosed number of people were killed.

Too fat to adopt

An Australian couple in Sydney said they had been banned from adopting a baby because they are too fat. They added that the government told them they must lose weight first.

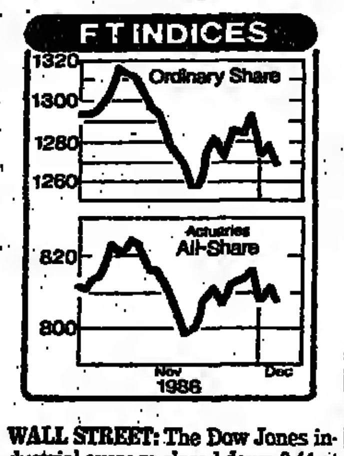
Business summary

Pickens in bid for Diamond Shamrock

T. BOONE PICKENS, Texas oilman and corporate raider, returned to the takeover arena with an all-share offer for Diamond Shamrock, languishing Dallas integrated oil company which recently cut its dividend by more than half. Page 23

LONDON: Initial firmness in sterling and gilts failed to prevent a sharp drop among equities. The FT-SE 100 index closed 10.4 lower at 1,615.1 and the FT Ordinary index lost 9.3 to 1,289.1. Page 44

FT INDICES



WALL STREET: The Dow Jones industrial average closed down 8.44 at 1,947.13. Page 44

TOKYO: Bolstered by the overnight record on Wall Street buying enthusiasm strengthened to drive equities higher. The Nikkei average gained 284.09 to 18,456.06. Page 44

GOLD rose $4.75 to $392.50 on the London bullion market. It also rose in Zurich to $393.25 from $389.00. In New York the Comex February settlement was $395.8. Page 36

DOLLAR closed in New York at DM 1.9695; SFr 1.6395; FFr 6.4525; and Y161.975. It was unchanged at DM 1.9725 in London. It fell to SFr 1.6415 (SFr 1.6440) and FFr 6.4575 (FFr 6.4625), but improved to Y162.25 (Y162.00). On Bank of England figures the dollar's index rose to 110.0 from 109.8. Page 37

STERLING closed in New York at $1.4335. It fell to $1.4320 ($1.4345) in London. It fell also to DM 2.8250 (DM 2.8300); FFr 9.2475 (FFr 9.2700); SFr 2.3500 (SFr 2.3575), but was unchanged at Y232.25. The pound's exchange rate index rose 0.1 to 67.9. Page 37

PRESIDENT of the World Bank Barber Conable has announced a major shake-up in the bank's top management and hinted at far-reaching economies. Page 5

INDONESIA will resort more to foreign borrowings rather than raise domestic funds to meet its spending commitments and ease the current recession, Central Bank governor Arifin Siregar said.

THE £5.6bn offer for sale of shares in British Gas was oversubscribed but the number of applications seems to have fallen embarrassingly short of expectations. Page 7

ALSTHOM, heavy engineering group controlled by France's nationalised Compagnie Générale d'Electricité, will take over at the beginning of next year the railway equipment business of Jeumont-Schneider, one of the main industrial subsidiaries of the private Schneider group and Alsthom's main rival in the rail sector. Page 21

ROYAL Dutch/Shell, Anglo-Dutch oil group, and Gist-Brocades, Dutch biotechnology company, are considering the establishment of a 50-50 joint venture for making and selling fine chemicals and industrial enzymes. Page 21

LI KA-SHING, Hong Kong property tycoon, and companies under his control are to acquire a 52 per cent shareholding in Husky Oil of Calgary, one of Canada's leading integrated energy producers. Page 21

CREDIT LYONNAIS launched a FFr 1.5bn ($234m) perpetual floating rate loan on the French domestic market. The move aims to build up the group's capital resources in readiness for privatisation and for the new regime of banking reserve ratios which will be applied in France from January 1. Page 21

Exco seeks fraud probe at bond broking subsidiary

BY DAVID LASCELLES AND CLIVE WOLMAN IN LONDON

EXCO International, the UK's largest money broking group, has called in the police to investigate dealing irregularities in one of its bond broking subsidiaries.

The Exco announcement added fuel to the rumours on the London Stock Exchange of widening inquiries into illicit share dealings arising from the Government investigation into the conduct of Guinness, the brewing and spirits company, during its takeover battle for Distillers in the spring. Bank shares were the main victims of a day of sharp share price fluctuations.

Exco said in a statement that the dealings "involve former employees who appear to have benefited personally from the transaction involved." Exco has pledged to compensate any customers who have lost money, once the full extent of the losses has been established.

Mr Bill Matthews, chief executive, said he could not disclose the sum involved, except that it was small in relation to the size of the Exco group. Exco itself had not benefited from the dealings in any way, he said. Information has been passed on to British and Commonwealth Shipping Company, which is in the process of acquiring Exco.

The irregularities came to light in Exco's local authority bond broking arm, Municipal Brokers Ltd, at the end of October, after a customer had queried a deal. Inquiries by Exco's lawyers uncovered several more irregular deals, apparently involving a number of employees who had left the firm together a few weeks before.

The irregularities include a breach of the code of conduct set by the Sterling Brokers Association which operates under the purview of the Bank of England. The code requires brokers to transact deals for a client at the best price available.

Meanwhile, the share price of Morgan Grenfell, the merchant bank advisers to Guinness during its takeover battle, fell sharply in the morning by 31p to 337p. It later recovered partly to 353p after Morgan strongly denied suggestions that several of its directors had resigned over the Guinness affair. In particular, Mr Roger Seelig, a corporate finance director, denied that he was considering his position because of fears that the share stakes he has taken in Morgan Grenfell client companies would attract adverse publicity.

The Morgan Grenfell share price also suffered from fears that it could be sued by the Argyll Group or by Distillers' former shareholders, if the investigation of the Department of Trade and Industry produced evidence of misconduct. Argyll Group's bid for Distillers was thwarted by the Guinness counter bid. Argyll responded by saying that it has no plans at present to bring a legal action.

Mr Robin Baillie, executive director of Standard Chartered Bank, last night "categorically denied" rumours that the bank was being investigated by the Government's Department of Trade and Industry.

The DTI investigation, which began on Monday, has been focusing increasingly on the unusual volume of purchases of Guinness shares in the final weeks of the takeover battle for Distillers in April.

Drexel pulls out of property venture, Page 22

Bonn draws up tougher chemical pollution laws

BY DAVID MARSH IN BONN

THE West German Government is to tighten environmental laws covering the chemicals industry in an attempt to dampen public concern over the recent wave of pollution incidents in the Rhine.

Mr Walter Wallmann, the Environment Minister, announced the measures yesterday after approval at the weekly Cabinet meeting.

The list of dangerous substances covered by the country's already extensive environmental regulations is to be widened. Additionally, requirements for companies to report pollution incidents to the authorities will be tightened.

The moves have been forced on the Government by the spate of spillages of toxic substances into the Rhine during the past fortnight by the big German chemical groups, BASF, Bayer and Hoechst. They followed the disastrous fire at the Swiss Sandoz chemicals company on November 1 which led to the sluicing of tonnes of dangerous chemicals into the river.

TOXIC CHEMICAL RELEASES INTO THE RHINE

Date	Company	Chemicals released
Oct 31	Ciba Geigy	Atrazin weedkiller
Nov 1	Sandoz	weedkiller, insecticides
Nov 21	BASF	Dichloro-phenoxy-acetic acid
Nov 22	Hoechst	Chlorobenzol
Nov 26	Bayer	Methyl alcohol
Nov 28	BASF	Ethylene glycol

Mr Wallmann was brought into the Government in June to show that Bonn was taking seriously public concern over atomic energy after the Chernobyl mishap in the Soviet Union.

With all parties clamouring to win over ecologically-minded voters in the general elections on January 25, Mr Wallmann has during the last few weeks had to show he is mindful of chemical as well as nuclear dangers.

The West German chemical industry association, which says its members spend about DM 4bn ($1bn) a year on environmental measures, warned last night the new requirements would increase companies' costs. The association is headed by Mr Hans Albers, chairman of BASF, which has been responsible for two significant spillages during the past fortnight.

The association's governing board is due to deliver new safety guidelines to members after a meeting today.

"We prefer to issue recommendations to anticipate new laws," a

Continued on Page 20

Deutsche Bank to pay $603m for BankAmerica's Italian unit

BY ALAN FRIEDMAN IN MILAN

DEUTSCHE BANK, West Germany's biggest banking group, has agreed to pay $603m to acquire 98.3 per cent of Banca d'America e d'Italia (BAI), the profitable Italian subsidiary of Bank of America.

The takeover, which will give the West German group a 98-branch Italian network with $4.5bn of total assets, represents the largest foreign takeover of an Italian-based bank. The Bank of Italy yesterday expressed its satisfaction with the deal, which being between two foreign banks does not require the formal approval of the central bank.

The disposal of the BankAmerica subsidiary, which has carved a lucrative niche in Italy's retail banking sector, will provide the San Francisco-based Bank of America group with a much needed cash infusion. BAI is listed in BankAmerica's accounts as having a book value of $321m.

BAI has been up for sale since mid-year and a number of banks and industrial concerns have expressed interest in acquiring the Milan-based bank, which with a 0.9 per cent return on assets is twice as profitable as the Italian bank average.

Mr Gianni Agnelli, Fiat chairman, and Mr Carlo De Benedetti, the Olivetti chief and entrepreneur, had both expressed interest in the bank, but were told that the Italian central bank preferred a bank rather than industrial group to acquire BAI. The Bank of Italy also ruled out a bid by the Turin-based San Paolo banking group on the grounds that it preferred to see a foreign bank buying the BankAmerica subsidiary so as to avoid a substantial outflow of capital from Italy.

The acquisition, which is one of the largest intra-European bank takeovers seen in recent years, will make Deutsche Bank the biggest foreign presence in Italian banking. Deutsche Bank until now has had only a one-branch business in Milan.

Banca d'America e d'Italia, founded in 1917, is Italy's eighth largest private bank and has total deposits of $2.5bn. The bank's total loan book comes to $1.8bn, roughly half of which is in middle market corporate lending.

BAI, which employs 3,000 people, also has a Luxembourg subsidiary which is active in foreign currency lending to Italian companies.

The bank's major strength, however, is in consumer credit, and it has a spread of branches in most major regions of Italy, from the wealthy industrialised northern areas of Lombardy, Piedmont, Liguria and the Veneto to Rome, Naples and points further south.

BAI, which made a 1985 net profit of L47bn ($34.4m) and expects a current year profit of more than L50bn also runs the Visa-BankAmericard plastic card programme in Italy, the country's largest with 1.3m cardholders.

Peter Bruce in Bonn adds: Mr Alfred Herrhausen, co-chairman of Deutsche Bank, said that Italy was showing encouraging economic growth and that the West German bank could no longer avoid expanding abroad.

He said the bank also sought to expand in the Pacific Basin and

Continued on Page 20

Murdoch in A$1.8bn move to buy media group

By Chris Sherwell in Sydney

MR RUPERT Murdoch yesterday returned to the roots of his rapidly expanding international media network with a surprise A$1.8bn (US$1.1bn) takeover for Herald and Weekly Times, the Melbourne-based newspaper and broadcasting group.

The HWT board, faced with a demand by Mr Murdoch's News Corporation that it respond the same day, resolved eventually to recommend the offer "in the absence of anything better."

For Mr Murdoch, who recently became a US citizen, the deal marks a decisive reinvestment in his original operating base, after having spent much of the last decade establishing a commanding media presence in the US, Britain and elsewhere.

The timing of the move is believed to have been influenced by proposed new rules governing the ownership of newspapers and television stations in Australia, due to be introduced by the Labor federal administration.

Although in some respects these rules relax existing constraints, an amalgamation of News Corp and HWT would be a key test of policy on concentration of media interests. It is accepted that Mr Murdoch would still have to sell quite a few of the operations he would inherit.

HWT controls television stations in Melbourne and Adelaide, and Mr Murdoch indicated yesterday that these were the likeliest candidates for disposal.

The company has been the subject of recent bid speculation, bot it was thought less than likely last night that a higher offer would emerge. News Corp is offering A$12 cash per share, almost A$4 a share better than the HWT market quotation at the time of the bid announcement. That price was itself generally viewed as inflated by takeover talk.

The attitude of Mr Ron Brierley, another of the region's most prominent entrepreneurs, may be crucial to Mr Murdoch's success in the bid. Industrial Equity (IEL), Mr Brierley's Australian corporate vehicle, owns about 12 per cent of HWT and until yesterday was rumoured to be planning a bid.

Mr Rodney Price, IEL managing director, said his group was unlikely to outbid Mr Murdoch but would remain open to another offer if one came from elsewhere.

"Mr Murdoch's offer is conditional on a 90 per cent acceptance, so if he wants to control HWT be will have to come and talk to us."

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Bush calls for full disclosure on Iran arms

BY LIONEL BARBER IN WASHINGTON

MR GEORGE BUSH, US Vice President, yesterday broke his public silence over the Iranian arms scandal, and acknowledged that mistakes had been made by the Reagan Administration. He said that the affair had damaged US credibility before the American people.

Mr Bush, whose hopes of securing the Republican presidential nomination in 1988 have been damaged by the scandal, said he was in favour of full disclosure of the facts: "Let the chips fall where they may," he declared.

But Vice Admiral John Poindexter, President Reagan's National Security Adviser who resigned last week, took the Fifth Amendment yesterday in a closed-door appearance before the Senate Intelligence Committee, his attorney said.

Mr Poindexter's action follows a similar move by Lt Col Oliver North, the White House aide sacked for his role in the affair, on the grounds that they might incriminate themselves. Their refusal to answer questions conflicts with President Reagan's pledge to allow officials to co-operate fully with Congress.

Mr Bush's speech in Washington yesterday came amid newspaper reports about alleged CIA involvement in funding rebel forces in Afghanistan through a Swiss bank account handling Iranian sales profits and further calls for the resignatioo of the White House chief of staff, Mr Donald Regan.

Mr Bush steered a fine line between defending President Reagan and distancing himself from the White House.

He denied any knowledge of the diverting of up to $30m from secret Iranian arms sales to Cootra rebels in Nicaragua. He added that be opposed paying any ransom to free American hostages and any effort to circumvent the laws of Congress.

Mr Bush sought to separate the President's decision to sell arms to Iran from the chanelling of funds, through Swiss bank accounts, to the Contra rebels by Lt Col North.

Calling the arms sales legitimate in order to bolster moderates in a strategically vital Gulf state, he also conceded that the policy was "arguable" in the light of what he described as the hatred and mutual suspicion between Iran and the US.

Mr Bush said he shared that hatred but it was in US interests to prepare for the successor to Ayatollah Khomeini, the Iranian fundamentalist leader who has called America the "great satan."

Turning to the Contra rebels seeking to overthrow the left wing Sandinista Government in Nicaragua, Mr Bush said he still backed US support for their cause.

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Price falls halt trade in floating rate notes

BY CLARE PEARSON IN LONDON

THE EUROBOND market was yesterday grappling with one of the most severe crises in its 20-year history as steep price falls in floating rate notes (FRNs) prompted many dealers temporarily to suspend trading.

Representatives of more than 40 market-making firms convened a meeting yesterday morning after prices had plunged more than 1 percentage point at the opening of trading. This was a huge fall for such instruments, and followed sharp drops in previous days.

Although FRNs, which pay interest linked to money market rates, have been depressed for several weeks, this week's sell-off has particularly afflicted perpetual issues – with no final repayment date – by banks.

The crisis threatens to close what has been an important source of primary capital for banks, which are allowed by several countries including the UK to treat perpetual debt as primary capital.

Mr Jerry Goldstein, managing director of Sanwa International, who chaired yesterday's meeting, held at the offices of Shearson Lehman Brothers International, said: "We were keenly aware that this market is a major source of primary capital for some of the world's largest banks."

According to Euromoney Bondware, a financial database, $7.35bn worth of perpetual debt has been launched in dollars this year out of total issues in the FRN market of $47.06bn.

At the meeting, dealers agreed to

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CONTENTS

Patrick Cockburn visits a city vital to Gorbachev's economic reforms

Volgograd in the front line once more

"THE OLDER people would like to go back to calling the city Stalingrad, but the young are happy to call it by its new name," said a woman in Volgograd, the city which was the site of the battle which marked the turning point of the Second World War on the eastern front.

Volgograd, its name changed by Nikita Khrushchev, now has a population of almost 1m and stretches 45 miles along the right bank of the Volga River, more than half a mile wide at this point. Tank turrets mark the former front line, at places only 200 yards from the Volga, where the Soviet troops managed to cling on to their positions against repeated German attacks in 1942.

Few memorials

Otherwise there are surprisingly few memorials to the war, apart from a vast statue of a woman with drawn sword on top of the hill of Mamayev Kurgan where the fiercest fighting took place. The main department store, in the cellars of which Field Marshal Von Paulus, the German commander at Stalingrad, surrendered his force of 90,000 men in 1943, only has a simple plaque to commemorate the fact.

The old city of Stalingrad was entirely destroyed in the war. Its replacement is important because it is in industrial cities like Volgograd, with dated but by no means archaic plant and equipment and a good infrastructure, that the fate of Mr Mikhail Gorbachev's efforts to restructure and update the Soviet economy will be decided over the next five years.

Regions of the Soviet Union like the Republic of Estonia on the Baltic or Georgia in the Caucasus, most often mentioned as being at the forefront of modernisation, are typical of the Soviet Union. Volgograd, at the centre of a region the size of Czechoslovakia and with a population of 2.5m, is a much better guide to developments in the Russian heartlands.

The city's industrial production comes mainly from its large tractor, steel, aluminium and chemical plants. Electric power is generated by the nearby hydroelectric power plant whose dam across the Volga marks the northern end of the city.

At the southern end of the city, overlooked by a vast statue of Lenin which has replaced one of Stalin, a canal links the Volga to the Don River to the west and to the so-called Donbass industrial region. The canal, scarcely large enough to take more than a big trawler, is too narrow to bring the coal Volgograd needs to expand its aluminium and steel mills.

Mr V. I. Kalashnikov, the Communist Party leader for Volgograd, has pressed to get

the canal widened, though without evident signs of success.

Yet the overall infrastructure of the city is of good quality. The housing, all built since the war, is 40 per cent in private hands and there is a five year waiting list — not long by Soviet standards—for people wanting to live in the state-owned blocks of apartments. In a new departure the city is now planning to build a limited number of houses for sale with a price range of between Roubles 35,000 and 45,000 (£35,000 to £45,000).

The transport system also appears more efficient than Moscow or cities of similar size to Volgograd. A fast tram system on which tickets cost three kopecks (3p) carries passengers underground to bypass the city centre and acts as a substitute for an underground railway. The cost of a car, as always in the USSR, is high at about roubles 7,000 (£7,000) but two makes, the Niva and the black Moskvitch can, unlike Moscow, be bought on two years' credit with a 30 per cent deposit.

Mr Kalashnikov, a former Minister of Irrigation in the Russian Republic, appointed Communist Party leader for the Volgograd region in 1984, called in a speech to the Communist Party Congress in Moscow in February this year for a better pricing system—in other words higher prices—to make farms profitable. Retail prices of basic foodstuffs—meat in a state shop costs roubles 1.90 a kg—have not been increased since 1962 while incomes have almost doubled.

More realistic retail prices would make it possible to narrow the gap between supply and demand and to abolish ration coupons and other forms of distribution. Mr Kalashnikov told the Congress, which meets every five years. He added that the present state procurement and retail price system prevented farms making a profit.

Since then food supplies in Volgograd have improved. In the huge central market, where peasants come to sell their produce at high prices—a kilo of mandarin oranges from central Asia costs roubles 6—and bright orange booths were erected this spring for state and collective farms to sell the permitted 30 per cent of their vegetables and fruit direct to the customer.

Four prices

"We now have four different prices for goods: state, co-operative, state and collective farm and free market," said a shopper. The co-operative meat price, for instance, is roubles 3.50 (£3.50) compared with a state price of roubles 1.90 and a free market price of up to roubles 5. The tendency in Volgograd is for an increasing proportion of produce to be sold midway between state and free market prices.

The importance of Volgograd and cities like it is that they were sufficiently well run during the 1970s and early 1980s to enable changes to be carried through quickly now. This requires competent local political and managerial leaders, adequate infrastructure and industrial plant in need of upgrading rather than replacement.

If Mr Gorbachev's economic reforms do not succeed in Volgograd, where these conditions are met, then they are unlikely to succeed elsewhere.

Structural change programmes at risk in developing world

BY GEORGE GRAHAM IN PARIS

SENIOR AID officials from the Western industrialised nations have sounded a warning about the futura of efforts to improve the economic structures of the developing world.

Structural adjustment programmes have now been started in 22 countries of sub-Saharan Africa, but officials meeting at the Development Assistance Committee of the Organisation for Economic Co-operation and Development in Paris this week said they could be in danger without additional funding.

Mr Joseph Wheeler, the committee chairman, said it was encouraging that so many countries had resolved to face up to the difficult political problems of changing their economic structures.

"The sobering side is that, with so many structural adjustment programmes and limited funding, these programmes could be in jeopardy if they do not get the right amounts of assistance," he said.

Structural adjustment programmes have been a higher priority for the World Bank in recent years, but require considerable political courage, since they often run against entrenched economic interests. Many countries, for example, have allowed the prices paid to farmers for their crops to rise in the hope of encouraging increased production, although higher food prices may be politically unpopular.

Mr Wheeler said that there was a general recognition among the 18 donor countries that form the Development Assistance Committee that aid needed to be increased from its current level of around $30bn (£21bn) a year. Two-thirds of the member countries intend to increase their aid levels, he said, with the largest increases in volume coming from Japan, France and Italy.

In the US, however, the 1987 budget appropriation for official development assistance has been cut by 4.4 per cent from this year's level. Mr Peter McPherson, administrator of the US Agency for International Development, said he hoped for a budget supplement early next year which would offset this cut.

Overall official aid levels from OECD members are expected to rise by around 2 per cent a year over the next five years, compared to 4 per cent a year over the past five years. The decline in aid from oil exporting countries, however, is expected to bottom out.

Hint of problems for Polish N-plans

By David Marsh in Bonn

A SENIOR Polish power engineer has warned that winning public acceptance for the country's ambitious nuclear energy programme will be "very difficult" following the Chernobyl reactor accident in the Soviet Union.

The frank admission came from Mr Miroslaw Duda, technical director of Energoprojekt, the Polish power engineering design and study office.

Speaking at a nuclear energy conference in Cologne, Mr Duda underlined Poland's economic need to embark on a nuclear energy programme based on the Soviet-designed VVER pressurised water reactors. Poland had to break away from its heavy dependence on coal for electricity generation, he said.

But he also gave a rare public hint of the challenges posed by anti-nuclear public opinion in East bloc countries. The Polish Government's programme is based on building nearly 8,000 MW of nuclear capacity to be operational by the year 2000.

About 3,000 inhabitants of Bialystok in north-eastern Poland signed a petition during the summer against the building of the country's first nuclear plant. The pressurised water technology being used, however, is different from the Soviet RBMK graphite-moderated reactor at Chernobyl which exploded last April.

Mr Duda said the problems facing the Polish nuclear drive included limited cash and personnel resources, as well as the difficulty of winning public acceptance.

The first 440 MW nuclear plant is under construction at Zarnowiec, which should eventually play host to four such reactors. The next plants planned to be built before the end of the century will be 1,000 MW Soviet reactors.

IMF opens talks in Belgrade

By Aleksandar Lebl and Margaret van Hattem in Belgrade

AN International Monetary Fund team began discussions with Yugoslav euthorities here this week within the framework of its six-month-old enhanced monitoring arrangement.

The Yugoslav side is optimistic about the outcome, believing that the proposed changes in economic policy next year, which are awaiting approval by parliament, will win IMF support. At the same time, senior Yugoslav officials concede that there is still some distance between them and the Fund, which earlier this year was very critical of government policies.

The Fund reserved its harshest criticism for the government's decision to maintain negative real interest rates, which it viewed as "a reversal of the authorities' earlier undertakings" to move to positive real interest rates. It "strongly urged the authorities to reverse this decision" if there were to be any bope of reducing inflation.

The Government has proposed a new formula for interest rates based on producer price increases over the past six months. Under the stand-by agreement with the IMF which expired last May, the formula was based on retail price increases in the past two months plus estimated inflation in the next three months.

Yugoslav creditors will be closely watching the IMF verdict on this and other government efforts to deal with the country's economic crisis, including an inflation rate approaching 100 per cent, before deciding on the future of the rescheduling of Yugoslav debts.

Later this month, a World Bank team will also come to Belgrade to negotiate a new atructural adjustment loan.

Athens refuses union demand on pay policy

By Andriana Ierodiaconou in Athens

THE GREEK economic autborities yesterday rejected a trade nnion demand for next year's tight incomes policy to be relaxed for those on low salaries, according to Mr Costas Simitis, the Economics Minister.

They were meeting in special council to review the stabilisation programme imposed by the Government for this year and 1987.

Mr Simitis said the authorities will continue to enforce the current incomes policy under which the Government watered down drastically the system of full wage indexation introduced five years ago, and imposed a freeze on all other pay increases.

He also released cash flow figures on the borrowing needs of the public sector. These endeavoured to show, against impressions created by accrual figures for 1986 released with the tabling of next year's budget last week, that the Government will meet its target of reducing the PSBR this year by four percentage points relative to GDP.

EEC to take firm action against counterfeit goods

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission will publish within the next six months detailed rules on how customs anthorities are to exercise tough new powers to seize and destroy counterfeit goods.

The broad outline of the customs regulation was agreed earlier this week at a meeting of Community trado ministers. EEC officials are now working on the practical details in time to come into force in January 1988.

The anti-counterfeit measures were among the most significant points in a package of 12 steps agreed at the meeting towards breaking down internal EEC trade barriers—a aet of accords which have been greeted in Brussels as a coup for Britain as current EEC president.

EEC trademark holders will for the first time be permitted nearly instant redrass against imported counterfeit goods. For a fee, which will he decided by individual member states, they wil be able to apply to customs authorities to impound on sight imports into the EEC from non-member states of goods they suspect of infringing trademarks.

That right will only apply to imports at the point at which they enter the Community and to tradamarks registered in the country of import. However, that restriction could be eased by the arrival of a European trademark, expected to be presented to EEC governments for agreement at the end of next year.

Once the goods are impounded, the aggrieved trademark holder then has 10 days to prove his case under the new rules. If the consignment does prove to be counterfeit, cuatoms then bave the power to destroy the goods or dispose of them in a "non-commercial manner," which could include giving them away subject to the trademark owner's consent.

The new system promises to be faster and cheaper to operate than the present method of redress for Community trademark owners, which involves applying to national courts for injunctions against the sale of counterfeit goods. Its adoption will also add impetus to long-delayed attempts by the General Agreement on Tariffs and Trade for the wider application of similar controls.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R. A. Harper, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Hungary freezes wages until April

By Leslie Colitt in Berlin

THE ECONOMICALLY hard-pressed Hungarian Government has frozen basic wages until next April as a prelude to the introduction of new wage measures which are to link wages more closely with performance.

The wage freeze is also designed to dampen inflation which is officially said to be 5 per cent but which is unofficially put at 10 per cent.

Wage bonuses, however, are exempt from the wage freeze because they are allegedly more closely linked to productivity. Many Hungarians work their hardest at second jobs and moonlighting which are not covered by the freeze.

The Hungarian Communist leadership has called a central committee meeting later this month in order to adopt a new programme to help overcome e serious economic downturn and to introduce new economic reform measures.

Mr Janos Kadar, Hungary's leader, is expected to address the nation on December 20 in an apparent attempt to enlist popular support

Brussels proposes extended deadline on radioactive food

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission yesterday proposed extending the present limits on radioactive contamination of food in the EEC until February 1988 – nearly two years after the Chernobyl nuclear plant accident in the Soviet Union.

The rules were introduced after the Russian disaster to protect public health and to ensure free trade in food products throughout the Community. They have already been extended to the end of February next year.

The Commission's proposals will not please the French, who have consistently argued that the present levels are too restrictive.

The Commission, however, says that while the next agricultural crop is not expected to be significantly affected, there is still produce in community stores which may be contaminated ebove the current limits.

Moreover, Eastern European suppliers will be selling deep frozen or preserved products which may be contaminated at least until the autumn 1987.

● The EEC Commission yesterday proposed a new legislation to minimise the risks of radioactive contamination in case of a nuclear accident, AP reports from Belgium.

The EEC states themselves, the Commission said, store farm produce which exceeds the premissible radiation levels.

To prevent trade in contaminated food in the aftermath of Chernobyl, the EEC set a maximum radiation limit at 600 becquerels per kilo for all foodstuffs except milk and infant food. For the latter products the limit was fixed at 370 becquerels.

● The Commission said it wanted a semi-automatic procedure to implement radiation controls on food after a future nuclear accident without long arguments between EEC countries as occurred after Chernobyl, Reuter reports from Brussels.

It said that to establish these levels, it was "carrying out the most detailed analysis done anywhere in the world on the link between radioactive contamination and people's diet."

Coalition's problems grow in Dublin

By Hugh Carnegy in Dublin

A ROW with a backhancher end opposition to a new extradition hill have pushed Ireland's Fine Gael-Labour coalition, struggling to survive long eoough to present a budget io Janoary, further into difficulties.

The bill, which Parliament begins dehating today, would clear the way for Irish ratification of the European Convention oo tha Suppression of Terrorism.

It has been heavily criticised for heing premature while concern persists over the judicial system in Northern Ireland and Britain from where most extradition requests come.

Dr Garrett Fitzgerald, the Prime Minister, said yesterday be was determined to press on into the new year and prodoce a budget, which he has signalled must include beavy spending cuts. But he acknowledged the vital Christmas adjournment vote, which is treated as a confidence vote, would be difficult to win.

The Government's problems hecame more acute when Mrs Alice Glenn, en nltra-conservative Fine Gael parliamentary deputy, was sacked by ber constituency party after she labelled "enemies of the people," all those who fevoured e failed government move in June to introduce divorce in Ireland.

She responded by saying she would vote against the coalition on extradition and would leave Fine Gael before Christmas, wiping out the Government's numerical majority in the Dail

The main opposition party, Fianna Fail, and the small Progressive Democrats in prioclple support the new extradition measures.

But they will table amendments reflecting reservations about police methods and emergency courts in Northern Ireland, and abont the cases of more than 12 Irish men and women convicted of bombings in England, in the 1970s.

Aware of these difficulties, the Government deliberately wrote a clause into the hill delaying its start until next June, to give Britain time to move on the issue. But the bill's safe passage is still in doubt, and with Mrs Glenn's support gone, some politicians predict the Government will fall before the budget, with an election in January or February.

COMMISSION PRESIDENT MAKES PRE-SUMMIT APPEAL

Delors urges action on three fronts

BY QUENTIN PEEL IN BRUSSELS

EEC HEADS of government were urged yesterday to take action on three economic fronts when they meet for their latest summits in London tomorrow.

Mr Jacques Delors, president of the European Commission yesterday called for renewed hacking on: Faster action to scrap barriers to internal trade; an end to "horse trading" over cash for future EEC research programmes; an unemployment action plan which involved dialogue with unions as well as deregulation and wage restraint.

Mr Delors who himself comes up at the summit for endorsement for a second two-year term, admitted that key issues would not be on the formal agenda for dehate. They included agricultural reform, long-term EEC finances, and action to boost regional and social spending.

"Things are not ready yet," he said. "To present papers (on these subjects) without careful preparation would risk triggering off a crisis which would mean the whole European edifice would fall. We just did not have the right cooditions." However, he urged a new impetus from the beads of government to speed action towards s frontier-free internal market hy 1992.

A Commission report on the subject says progress since the last summit in June has been disappointing, although Mr Delors welcomed the success of trade ministers on Monday in agreeing 12 new measures.

The report says that finance ministers bave "devoted little time to the question of removing fiscal harriers." They had not even discussed a Commission proposal for a standstill on indirect tax moves which would aggravate current differences between national regimes.

Mr Delors bitterly criticised the memher states' debates on the Commission's ambitious Ecu 7.7bn (£5.6bn) plan for boosting research co-operation as "a horse trading exercisa—some sort of hazaar that I cannot accept." The ministers who had discussed it simply swapped casb figures without considering the content of the programme, he said.

The subject is not on the formal agenda, although the programme must be approved before the end of the year, and Britain, France and West Germany are determined to reduce its size and cost.

On the unemployment plans to he dehated in the summit, inspired by a British paper which concentrates largely on the henefits of re-regulation and removing hurdens from small businesses, Mr Delors said it was essential to include e balance.

He would not comment directly on the refusal of Mrs Margaret Thatcher, the British Prime Minister, to see a union delegation in advance of the summit but insisted that union views on stimulating investment and spending on infrastructure must be taken into account.

● The European Parliament's budget committee yesterday issued an urgent appesl to the heads of governmeot to order their agriculture ministers to settle outstanding plans to reform the beef and dairy markets. The ministers meet next week to consider the plans in the immediate aftermath of the summit.

West German unemployment rises by 2%

THE NUMBER of registered unemployed in West Germany rose by 2 per cent last month for seasonal reasons, hut fell 6.5 per cent from November 1985, according to official figures.

The Government, which welcomed the figures as another sign of economic recovery, pointed out that last month's figure of 2.07m people out of work was 143,000 lower than a year ago. The unemployment rate worked out at 8.3 per cent in November compared with 8.1 per cent in October

Maltese budget

The Maltese Government plans to step up public spending, keep a four-year wage freeze in force and improve social measures in a bid to spur the island's sluggish economy, writes Godfrey Grima in Valletta. This was announced as part of a M£261.5m (£493m) budget for next year.

French banks may delay cheque account charges

BY GEORGE GRAHAM IN PARIS

FRENCH BANKS are being forced to rethink plans to introduce charges on chequebook accounts in the face of fierce opposition from consumers and mounting government irritation.

The banks say they will improve their services to compensate for the cbarges, but several leading banks are now considering delaying them until next April, instead of January.

The compensating measures are likely to include lower interest rates on loans to personal customers, while customers who keep high current account balances will he exempted from charges. Credit Lyonnais, for instance, expects to grant free hanking to customers with balances around FFr 15,000

An option raised by the consumer groups is a three month trial in which bank customers are shown how much they would have been charged, in an effort to encourage them to write fewer cheques, and use more direct debits and payment cards.

The Government has encouraged the process of "tarification" cbarging for banking services, but senior Finance Ministry officials have been increasingly irritated by what they see as the heavy-handed way in which the hanks have epproached tbe problem without consulting consumers.

Both Mr Michel Camdessus, the Bank of France governor, and Mr Edouard Balladur, the Finance Minister, have recently urged the banks to respond quickly to the claims of the consumer associations.

But the Government's own position has been split by a disagreement between Mr Balladur and Mr Gerard Longuet, Minister of Post and Telecommnnications, over whether the Post Office savings hank network should join in the process of tarification.

Action Directe trio go on trial for murder

By David Housego in Paris

THREE SUSPECTED terrorists from Action Directe—tbe French left-wing extremist groop that has claimed responsihility for the killing of Mr Georges Besse, the ehairman of Renault—weot on trial in Paris yesterday accused of murders committed in 1983.

Police pnt a beavy guard of more than 250 men around the courtroom in Paris where the bearing was taking place. Regis Sehlcieher, the most senior of the three, and believed to be a leader of the group, denied the court's power to try them.

He, Claode Halfen and Nicolas Halfen are accused of killing two policemen in Paris in May 1983

Although they are alleged to have escaped after the murders, their identity is said to have been revealed by another Action Directe member who gave away their whereabonts having berself been denonnced to police in anonymous letters.

Action Directe has justified the killing in an internal memorandum which said that the terrorists' action was "legitimate" while that of the police was "legal."

Commission tightens steel quotas for first quarter

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission announced yesterday that most steel prodnction quotas for Community producers are to be tightened for the first quarter of next year.

The new level of output controls is a mark of the seriousness with whicb the Brussels authorities are considering arguments by Europe's main steelmakers that their industry's state of healtb remains so fragile that EEC plans to scrap the present system of price and production regulations sbould be deferred until 1990.

By setting tighter allowances, the Commission hopes to support prices, which are still weak despite a modest upturn in demand in recent months.

The quota system is policed by the Commission and forms part of the EEC's plan to provide the industry with e cushion while it restructures its way out of recession, with the eventual aim of restoring a free market. Quotas on a range of products bave already been relaxed so that the share of output subject to EEC control will bave slipped from 85 per cent at the end of 1985 to 60 per cent by the turn of the year.

A spokesman said yesterday that the new quotes were set et deliberately conservative levels because the industry had been huilding up stocks in recent quarters in anticipation of an upturn in sales that was emerging more slowly than expected. The weakness in oil prices in particular had bit demand from important oil exploration and extraction customers. But if the new limits prove too restrictive, the Commission has reserved the right to change them again early next February.

EEC PRODUCTION QUOTAS (by quarter, '000 tonnes)

	2/86	3/86	4/86	1/87
Hot-rolled coils	4,146	3,832	3,537	3,172
Uncoated sheet	3,576	2,863	2,922	2,805
Galvanised sheet	910	800	833	*
Quarto plate	1,410	1,140	1,294	1,206
Heavy sections	1,273	1,001	956	956
Wire rod	2,641	2,214	2,166	2,251
Merchant bar	2,327	2,176	2,092	2,065

* Quota ended

Source: European Commission

Turkey cracks down on fundamentalists

By David Barchard In Ankara

MORE THAN 20 people, including an official of the State Planning Organisation, the country's top planning authority, have been detained by police after a series of raids on Islamic fundamentalists.

The raids follow months of growing anxiety among middle-class Turks at the steady rise of fundamentalist groups in the last three years. Last weekend, President Kenen Evren mada a strong attack on fundamentalism.

Turkey has been legally defined as a secular state since the 1920s, but the hold on power of the country's middle-class, backed by the military, has slowly come into question as fundamentalists have taken key roles in the administration.

A state security court is expected to try a former official of the State Planning Organisation, Mr Iskender Evrenosoglu, for allegedly running a lodge of the Nakshibendi Dervish brotherhood on office premises.

The Turkisb press has given considerable publicity in recent weeks to alleged breaches of the law separating the state and religion.

It has also warned that Dervish brotherhoods across the country are operating camps and indoctrination centres.

OVERSEAS NEWS

Our correspondent reports on the spread of a fatal virus in Uganda

Aids claims a lakeside village

ON THE shores of Lake Victoria, close by the border with Tanzania, stands the Ugandan village of Lukunyu, once a thriving smuggling centre. Today it is dying of Aids.

The village's commercial decline began last year when the Government cracked down on smuggling. But as Lukunyu's transitory population of traders and "malaya", or prostitutes, moved away, either returning to their home villages or looking for work in the towns, they took with them the virus (Acquired Immune Deficiency Syndrome) which threatens millions of African lives.

Researchers estimate that about 15 per cent of Uganda's sexually active population – around a million people – could be Aids carriers. Lukunyu is one illustration of how the fatal disease is spreading.

The corrugated iron shacks of Lukunyu are set out haphazardly on grey, stony ground dotted with rubbish dumps and excrement. Lodging houses in the village are poky cubicles, makeshift brothels that the "malaya" could rent for the night and entertain their clients for the equivalent of a couple of US dollars. "It was almost impossible to sleep in a lodge without a woman," recalls one villager.

These conditions, combined with ignorance about the nature of Aids, have had terrible consequences for this village of some 1,500 people. In the past two years, according to Mr Ahmed Nsubuga, the local government chairman, 85 people have gone back to their home villages to die. Six more died in Lukunyu itself of what Ugandans call "slim", because of Aids' characteristic wasting symptoms.

African witch-doctors are being enlisted in South Africa to help to fight Aids, the South African Institute of Medical Research said yesterday, Reuter reports from Johannesburg.

About 200 sangomas (witch-doctors), will meet institute officials on Friday.

The witch-doctors will be informed about the disease in South Africa in the hope that it will not reach the proportions it has in other black states, a spokesman said. South Africa has officially recorded 30 deaths from Aids but none of the victims was black, the spokesman said.

Across the bay, in the scruffy port of Kasensero, a little smaller than Lukunyu, up to 100 people have died of "slim", leaving the residents traumatised. Further inland, the disease was also taking a terrible toll. One young man said that 60 of his schoolmates had died of the disease. At Kyebe, in the lush green hills of Rakai district, old folk sipping locally-brewed beer told of how they had each lost a young relative.

Although Rakai is the worst hit area of Uganda, it is clear that Aids has spread rapidly from the ports and lakeside villages of Lake Victoria to a rural population which is not notably promiscuous.

The disease was carried by traders and prostitutes moving around the country. In the unsettled economic conditions of Uganda in the early 1980s, nearly every small-scale farmer at some stage left his district and bartered coffee or other crops for goods available in the towns.

If they contracted the Aids virus through casual sex, they were likely to pass it on to their wives. A survey this year showed that in one district 71 per cent of spouses had caught the disease from infected partners.

Given Uganda's run-down health services, it is easy for any epidemic to gain a foothold. Government health facilities are virtually non-existent, and private clinics, often run by quacks or unscrupulous doctors, have proliferated.

"The doctors would never tell you that you are suffering from Aids," said Mr Joseph Lukera, a lawyer from south of Kampala. "They are more interested in selling drugs."

Medical records of patients with Aids symptoms are rarely passed on to Government health officials. Of a population of around 300,000 in the Rakai district, the registered number of Aids victims is 300 since 1984. The true figure is probably higher. A blood screening machine for the nearby Kitovu Mission Hospital has not yet arrived.

The Ugandan Government's response to the fact that about a million people in the country could be Aids carriers was to boost its Aids budget from 1.5m Ugandan shillings to Ush 125m ($89,285) this year. To date, health authorities have noted 768 cases satisfying World Health Organisation criteria for diagnosing the disease, that is just 200 more cases than in Britain. The Health Ministry has printed special forms to encourage more accurate record-keeping.

In September, the Government launched an Aids prevention programme, sloganned "love carefully". This provided candid information on Aids, discouraged promiscuity, dispelled fears of infection through casual contact and promoted the use of condoms. The latter are free, but poorly distributed.

However, Aids is far from being Uganda's sole medical preoccupation. An estimated 1,000 people have died from the disease in Uganda so far. To put that into perspective, 60,000 children die of measles in the country every year.

Uganda has been notable among Central African countries for not trying to hide the Aids problem. Dr Samuel Okware, head of the national committee for the prevention of Aids, said, "We are not going to keep quiet about a disease that could be prevented through health education."

After a recent pan-African Aids conference held in Brazzaville, Congo, Dr Okware said he thought Uganda's Aids epidemic was no worse that its neighbours'. "It's only that we've been more open," he said.

Pretoria detains 13 conscription opponents

By Anthony Robinson in Johannesburg

THE SOUTH AFRICAN Government yesterday detained 13 leaders of the End Conscription Campaign (ECC), an affiliate of the anti-apartheid umbrella organisation, the United Democratic Front.

The 13 were detained in late night and early morning police raids in Johannesburg and Cape Town. A further 12 ECC activists were issued with restriction orders, under terms of the June 12 state of emergency regulations.

The restriction orders effectively prevent the 12 from participating in the ECC's campaign to end forced conscription into the armed forces and get the army out of the townships, where it has been co-operating with the police on security duties over the last two years.

The ECC says more than 60 of its members have been detained in terms of the emergency although none has been charged.

The moves against the ECC follow the Government's decision on October 9 to declare the UDF an "affected organisation," so cutting it off from any form of foreign funding. The Government claims that the UDF is essentially a front for the banned African National Congress.

Mr Azhar Cachalia, national treasurer of the UDF, was also yesterday served with a restriction order.

Egypt ready to meet certain IMF conditions

BY TONY WALKER IN CAIRO

EGYPT appears prepared to go a considerable way towards meeting IMF demands for economic reform in exchange for balance of payment support, although the two sides still remain some distance apart.

An IMF team, which returned to Washington last week from Cairo, was given a dossier which outlined proposed economic measures. Egyptian officials are predicting an agreement in the new year.

According to Egyptian and Western sources the proposed reforms indicate that Egypt is within reach of satisfying IMF conditions for an initial loan of about $300m (£209m).

Among the measures Egypt is reportedly prepared to adopt are:

● An increase in prices paid to farmers for certain staple items;

● A substantial increase paid by the public sector for fuel oil. Increases are also proposed in prices of kerosene and diesel, both of which are heavily subsidised.

● A liberalisation of interest rates, but with provision for protection of long-term public sector borrowers.

● Reforms of the multi-layered exchange rate, but at a slower pace than recommended by the IMF which would like to see a quick consolidation of the various rates and an effective float of the Egyptian pound;

● Greater encouragement to the private sector through more pronounced investment incentives, according to recommendations of the World Bank.

Egypt's apparent flexibility on an IMF reform programme comes despite strong public statements by Egyptian officials including President Hosni Mubarak, decrying Fund pressures.

"We have limits we cannot exceed. We have a people with limited incomes and we cannot impose more burdens than necessary," Mr Mubarak told reporters this week.

"We have started an economic reform programme and I am not waiting for the (International) Monetary Fund . . . I can never accept that the IMF comes and imposes on us more burdens than we can take."

Egypt's President will visit France next week, arguing the case for Western assistance. Mr Mubarak this week expressed irritation at US failure to grant interest rate relief on Egypt's large military debt of $4.55bn.

US officials say that an agreement with Egypt is close which will provide a reduction in interest rates from the more tban 12 per cent the Egyptians are now paying, down to the current market rate of ahout 7-8 per cent.

Two-tier move by Cairo on unrest

By Tony Walker in Cairo

THE EGYPTIAN Government appears to have embarked on a two-tiered strategy to deal with the threat of social unrest and at the same time maintain credibility with Western benefactors.

The Government is engaging in a systematic crackdown on opposition groups, particularly those of the religious right, in what local observers see as preparation for a possible challenge to its authority should it press ahead with an IMF-backed austerity programme.

But in parallel, Egyptian leaders are reiterating a commitment to further liberalisation. The two approaches are not regarded as necessarily contradictory and may be part of a "good cop-bad cop" approach to Egypt's problems, Western officials say.

Apart of this strategy appears to be to divide the opposition by being tougher with one group – the religious right – than with the leftists who are seen as a useful cushion between Islamic fanatics and the centrist ruling National Democratic Party led by President Hosni Mubarak.

Major-General Zaki Badr, the controversial Interior Minister, is overseeing the security drive which has resulted in dozens of arrests in the past several weeks, many of them in Assiut which is a centre of Islamic agitation about 300km south of Cairo.

Egypt's opposition press has launched a ferocious campaign against the Interior Minister, accusing him of harassing dissident groups and authorising torture. The opposition has demanded his removal.

In the recent government reshuffle, Maj-Gen Badr, who is a career police officer, retained his portfolio and was elevated to the Shura Council – the upper house of the Egyptian Parliament.

A prominent leftist described the drive against the opposition as the product of a "Jekyll and Hyde" approach to present difficulties. while President Mubarak is proclaiming his commitment to further democratisation, his Interior Minister is engaged in a campaign against dissidents.

The Government has also launched a drive against the noisy opposition press, demanding greater responsibility in its reporting. mr Mubarak apears genuinely perplexed by some of the highly imaginative stories that appear in opposition publications critical of the Government.

Egypt's President appears engaged in a delicate balancing exercise between excessive use of force and a reasonable latitude to opposition groups to express a point of view thereby providing a safety valve for frustrations.

Maj-Gen Badr is an essential player in this sceoario and is almost certainly acting under the President'a direction, according to local observers.

The authorities have arrested about 200 Moslems activists in Assiut since early October.

Radical clerics use these occasions to denounce the Government over its failure to implement Islamic Sharia law.

Riots among police conscripts in February this year in which luxury hotels were burned and several hundred young policemen were killed or injured were an ominous warning to the Government of the dangers of unrest at a time of economic hardship.

Japan rail union says members are victimised

By Carla Rapoport in Tokyo

JAPAN National Railways (JNR) management is victimising members of its largest union in an effort to undermine its power, according to the union's chairman.

Japan intends to privatise the heavily loss-making JNR next spring. But the railways' largest union, Kokuro, has been embarrassing the Government with its strong opposition to the sale. Union leaders claim that the privatisation would put thousands of its members permanently out of work.

"No doubt one of the main aims of breaking up JNR is to destroy our organisation," said Mr Satoshi Roppongi, chairman of the National Railway Workers' Union in Japan (Kokuro), speaking in Tokyo yesterday. Since April, he said, thousands of Kokuro members have been assigned to "personal development centres," where they must make paperweights, clean toilets, pull weeds or do other menial chores.

Of the 18,510 workers now in the centres, more than 80 per cent are Kokuro members.

Kokuro has been steadily losing membership over the last few months because of its relatively militant stance on privatisation. JNR's other main unions have accepted the government's plans and are co-operating with management. As of April this year, Kokuro had 68 per cent of total JNR workers; today it has 45.3 per cent.

Bhopal burning

Survivors of India's Bhopal gas disaster yesterday burned effigies of Mr Warren Anderson, the retiring chairman of Union Carbide, to mark the second anniversary of the leak which engulfed the town in a cloud of toxic fumes in one of the world's worst accidents, Reuter writes from Bhopal. More than 2,000 gas sufferers held a torchlight procession outside the US company's pesticides plant that leaked the gas which is estimated to have resulted in the deaths of 2,352 people.

Afghan talks resume

Pakistan and Afghanistan will resume negotiations on an Afghan peace plan in Geneva on February 11, reports Mohammad Aftah in Islamabad. Mr Diego Cordovez, the UN under-secretary general who has been overseeing the talks since 1982, said yesterday the negotiations could now enter a "decisive stage." The talks broke down in August over the question of the withdrawal of Soviet troops. Soviet forces invaded Afghanistan at the end of 1979 to protect the Communist Government there

Nigerian air tickets

Nigeria, accusing foreign airlines of adopting an attitude of confrontation, has banned the sale of air tickets from today in any currency other than the Nigerian naira, Reuter reports from Lagos. The move was the first punitive action against 29 airlines which suspended sales in naira after the currency's value fell substantially with the September introduction of a weekly foreign hard currency auction.

Gorbachev for Korea

Mr Mikhail Gorbachev, the Soviet leader, is likely to visit North Korea next year to consolidate increasingly close ties between the countries, according to sources quoted yesterday by Reuter in Pyongyang, the North Korean capital. They said the visit, the first to Pyongyang by a top Soviet leader, would be in return for North Korean President Kim Il Sung's week-long trip to Moscow in October.

Seoul budget balance

South Korea'a Parliament has approved a balanced national budget for 1987, Economic Planning Board officials told Reuter in Seoul. The budget envisages revenue and expenditure of about 15,600bn won (£12.6bn) each, up 12.7 per cent from 1986 when the budget also was balanced. The total is about 22bn won less than the Government bad proposed. Meanwhile, tbe country's November customs-cleared trade surplus fell to $572m from $719m in October and compared with a $34m deficit in November 1985, preliminary Trade Ministry figures showed.

Taiwan dissident's vow

Hsu Sbin-Liang, tbe Taiwanese dissident who was turned back at Taipei's airport when he tried to enter hia homeland, arrived in Japan yesterday from tbe Philippines, where he vowed to "try every way" to return to Taiwan, AP reports from Tokyo.

NZ deficit widens

New Zealand's current account deficit in the three months ended in September widened to NZ$742m (£257m) from a revised NZ$381m in the June quarter, according to Statistics Department figures reported by Reuter in Wellington. This compares with a revised NZ$1bn deficit in the quarter a year earlier. New Zealand's October trade deficit fell to NZ$24.9m from NZ$244m in September and NZ$162.8m in October 1985.

Conable changes management at World Bank

BY STEWART FLEMING, US EDITOR IN WASHINGTON

MR BARBER CONABLE, the former US politician who took over earlier this year as president of the World Bank, has announced a shake up in the bank's top management and hinted strongly that far-reaching economies in its operations are likely.

In a letter to the bank's staff, Mr Conable disclosed that he was doubling the number of senior vice presidents in the bank from two to four. The senior vice presidents, Mr Ernest Stern for operations and Mr Moeen Qureshi, are the most senior executives at the international lending institution below the president. Under Mr Conable's predecessor, Mr A. W. Clausen, they were widely seen as the men who, in effect, ran the organisation.

Some bank officials see Mr Conable's decision as a move which will reassert the role of the president. But it will also tend to diminish the influence not only of the existing senior vice presidents, in particular Mr Stern, but possibly of the 18 vice presidents at the bank, who have hitherto reported directly to the president but will now report through a senior vice president.

In his letter to bank staff, Mr Conable said he was setting up a steering committee to be headed by Mr Edward Jaycox and three task forces which will be charged with examining the role and organisation of the bank. He said that, following a management consultant's study, he believed a reorganisation of the functions of the bank could "yield greater output at lower overall costs."

He added that he also believed the bank could be more flexible and timely in responding to the changing needs of member countries.

Mr Conable had originally set himself a target of the end of the year to undertake the necessary changes in the bank's operations, but this timetable seems to have slipped. But bank officials maintain the moves signal that he moves rapidly to implement changes once he is sure they make sense. The two new senior vice presidents have yet to be named.

Sprinkel forecasts further expansion in US economy

MR BERYL SPRINKEL, President Ronald Reagan's chief economic adviser, yesterday predicted that the US economy, entering its fifth year of expansion, would continue to grow in 1987, Reuter reports from Washington.

But Mr Sprinkel told the American Enterprise Institute be expected inflation to rise slightly.

Mr Sprinkel said: "I believe prospects for somewhat stronger growth in the year ahead are good and the threats of recession are minimal."

He said the increase in inflation would result from an upturn in oil prices, along with the higher import costs due to the dollar's weakness.

Mr Sprinkel also said he expected business investment to rise next year, partly as a reflection of a strong stock market, good corporate profits and an economic upturn.

On balance, the US recovery has been stimulated by consumer purchases, with business investment tending to lag.

Mr Sprinkel said he believed consumer spending would slow next year.

Mr Sprinkel said he expected a significant downturn in the US trade deficit because of the weaker dollar and other factors. The trade deficit was $169bn during the first 10 months of this year.

The Administration is to unveil its budget for the 1988 financial year on January 5. Officials have said it will meet the deficit target of $108bn set out in the so-called Gramm-Rudman balanced-budget law. Reuter

Argentina bans import licences for UK goods

By Stephanie Gray

ARGENTINA has banned all import licences for British goods in retaliation against Britain's introduction of a 150-mile fisheries protection zone around the Falkland Islands at the end of October.

Britain is waiting for official clarification of the ban, which has been relayed through the British Interests Section of the Brazilian embassy in Buenos Aires. Exporters, who have been able to trade directly for more than a year have been advised by the Department of Trade and Industry to consult their Argentine agents before shipping goods.

Direct British exports to Argentina have been going on unofficially since the end of the Falklands war. Official figures show they amounted to £2.8m last year, against £37.2m in 1982. They probably were far higher considering the goods that have been channelled through third countries, particularly the US, Uruguay and South Africa, where about half the value of the goods has been added and new certificates of origin issued.

Trade officials say the value of Britain's direct exports to Argentina had risen to £4.75m between July and the end of October.

Argentine customs officials had been told to allocate licences to British goods and many British companies had started trading again on a direct basis, one official said yesterday.

The declaration of the fisheries protection zone, which Britain maintained was made in the interest of conservation of stocks, followed contracts signed by Argentina with the Soviet Union and Bulgaria to fish in "Argentine waters." Whitehall saw the contract as a provocation.

Despite protests from Spain, which has always supported Argentina in its dispute with Britain and is one of the biggest fishers in Falklands waters, Spanish fishermen are among those who have applied for licences to fish in the zone.

Decisions on allocating licences are to be made by the Falkland Islands Government by December 12.

Bernard Simon reports on a bid by Canadian car workers for recognition

Union drives a hard bargain with Michelin

A CHARISMATIC Canadian labour leader has presented the French tyre maker Michelin with a severe test of its traditional aversion towards trade unions.

A labour relations board in Nova Scotia met lawyers for Michelin and the Canadian Auto Workers Union this week to smooth the way for counting the votes of 2,900 workers who took part in a union certification ballot on November 20 and 21 at the company's three plants in the province. The ballot follows a three-month campaign by the CAW and its high-profile president Mr Bob White.

If the union has succeeded in gaining more than half the eligible votes cast, the board will have little choice but to order Michelin to recognise the CAW as a bargaining unit. The count has been delayed, however, by submissions from Michelin and some of its workers contesting the ballot.

The labour relations board plans to hold public hearings on the objections. The result of the vote is thus unlikely to be known before January.

Each side is confident that it enjoys the workers' support. Mr Larry Wark, CAW's chief organiser at Michelin, says: "We're in a very good position to win." But Mr Paul Carisano, Michelin Canada's public affairs manager, notes that many more employees than usual bought and wore company caps before the ballot.

Whoever is proved right, there is general agreement that the CAW has made deeper inroads at Michelin than any of the other unions which have tried to recruit workers since the French company opened its first plant in rural Nova Scotia in 1969.

Michelin makes no secret of its antipathy towards unions, which have so far been kept out of all its eight North American plants. According to Mr Cerisano: "We feel that we can do a great job dealing directly with our employees. We prefer to do business without a third party." The Canadian workforce accounts for about 4 per cent of the worldwide total.

The Canadian subsidiary, which is the biggest industrial employer in Nova Scotia, has foiled earlier organising drives with the help of the provincial government.

When Michelin announced plans seven years ago to build its third plant in the province, the authorities passed a new law which in effect prevented the counting of a United Rubber Workers Union certification vote held earlier at one of Michelin's existing factories. The ballot papers were destroyed.

> "We feel that we can do a great job dealing directly with our employees. We prefer to do business without a third party"

The CAW concedes that Michelin's wages and benefits are generous. Instead, its recruiting efforts have centered on what Mr White calls the right to a voice. Union supporters claim that workers have no say in Michelin's employment practices, including shift schedules, holidays and job transfers.

The union was the Canadian arm of the Detroit-based UAW before Mr White led a breakaway last year in protest against American workers' concessions during negotiations with General Motors.

Since the split from the UAW, Mr White has emerged as the most popular and influential trade union leader in Canada. He has tried to spread the Canadian union's wings beyond the motor industry.

The CAW helped organise a long strike at a leading Toronto-based bank last year and provided support to flight attendants during a dispute with Air Canada.

According to Mr Wark, the Michelin organiser: "There's no doubt that having Bob White as your leader makes a difference." Mr White spent the whole of the week before the ballot at the Michelin plant gates.

The CAW forced last week's certification vote by meeting Labour Board requirements that it sign up 40 per cent of the tyre maker's hourly paid workers as card-carrying members within three months.

The union mounted the most ambitious recruiting campaign yet seen at the Michelin plants. Besides Mr White's presence, the union brought in eight full-time organisers from other parts of Canada.

According to Mr Cerisano of Michelin, the CAW has used "high pressure, super-salesman" tactics in its recruitment drive, including up to 10 visits to the homes of wavering workers.

Michelin and the Nova Scotia Government refuse to be drawn on what will happen if the CAW does win a majority of the votes cast last week. Previous government action to keep unions out of the tyre factories was prompted by concern that the province, which badly needs to broaden its industrial base, might be left out of the company's future expansion plans. Some observers fear that Michelin may close the plants if a union succeeds in driving wages up to non-competitive levels.

Mr Cerisano is non-committal, saying: "We firmly believe that we will not be unionised, so the question becomes academic."

CIA role in Iran deal queried

BY STEWART FLEMING, US EDITOR IN WASHINGTON

NEW ALLEGATIONS about the role of the Central Intelligence Agency (CIA) in the handling of profits from US arms sales to Iran indicate that the agency's involvement in the controversy is deeper than CIA director Mr William Casey has admitted.

The Washington Post reported yesterday that profits from the Iran arms sales were funnelled into a $500m Swiss bank account managed by the CIA.

The Post said that congressional investigators have traced the $10m-$30m of profits from the arms sales to Iran to the Swiss account into which the US and Saudi Arabia had both deposited $250m which was to be used to fund rebels in Afghanistan fighting Soviet troops.

The recent conflicts with the statement last week by Attorney General Edwin Meese when he first disclosed that profits from the Iran arms sales had been used to fund the "Contra" rebels seeking to overthrow the Sandinista Government in Nicaragua. Mr Meese said then that the profits were "deposited in bank accounts under the control of representatives of the forces in Central America."

Mr Casey has maintained that, like other top US officials, he knew little about the Iranian arms sales and the channelling of funds to the contras.

As new reports surface on the breadth of the covert funding operations managed by the White House, the question is being asked whether the Iranian arms sales and the "contra" funding are just one element in a wider White House operation which was funding anti-communist guerrilla forces around the world in support of the "Reagan Doctrine."

The New York Times reported on Tuesday that there may have been a link between the Iranian arms deals and the Afghan rebels, and there is speculation that funds may also have gone to Mr Jonas Savimbi's rebel forces in Angola.

Questions about Mr Casey's knowledge about the Iranian arms deals have already led to calls for his resignation as part of a "house cleaning" of top Reagan Administration officials to put an end to the controversy on Tuesday night. Senator Richard Lugar, the influential Republican who chaired the Senate Foreign Relations Committee in the last session of Congress, and a man who hitherto has been cautious about urging the resignation of White House officials, called explicitly for Mr Casey to quit.

Separately, yesterday Mr Caspar Weinberger, the US Defence Secretary, told reporters in Paris that he was "horrified" to learn of the secret funding of the contras. He added that he did not "have any idea" why officials supporting the Iran arms sales thought there were any "moderates" in Iran.

Israel ministers in crisis meetings on Contra funds

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S senior ministers held a series of crisis meetings yesterday on the continuing row with the US over the secret funding of the Nicaraguan Contra rebels which has temporarily distracted attention from Israel's role in the Iranian affair.

The Jerusalem Post reported yesterday that Colonel Oliver North, the dismissed National Security Council official, had fully briefed his Israeli counterpart, Mr Amiram Nir, on the Contra aspect of the Iranian arms sales.

Quoting authoritative US officials in Washington, the English language daily said Colonel North had told US Justice Department investigators that Mr Nir, counter-terrorism adviser to the Israeli Prime Minister, was his direct contact in Jerusalem. It was assumed, the oewspaper said, that Mr Nir had informed his superiors.

Within hours, the Prime Minister's Office issued a statement categorically denying the report. The speed of the denial and strength showed a keen awareness that, on this issue, Israel could run into grave problems with the US Congress, currently considering a debt refinancing proposal which could save Israel over $300m (£209m) a year.

The statement said, in part, that "from what Lt Col North told Mr Nir, the latter could not have gathered that the funds which the Iranian representative transferred to the American account (sic) or part of them, were destined for the Contras."

Mr Nir is reported to have been questioned for several hours this week, as the Government braced itself for further US pressure to reveal its full role in the Iranian arms affair.

Motorola in Japan radio paging venture

By Carla Rapoport in Tokyo

MOTOROLA of the US bas linked up with several Japanese companies in a bid to create the first private radio paging service in Tokyo.

In other move, Brother Industries, the Japanese electronic typewriter company, said yesterday that it had commissioned Xerox of the US to produce electronic typewriters and high-spead printers.

Motorola, a leader in mobile communications technology, said that the new company, Tokyo Telemessage, will apply for a licence to supply radio paging equipment in Tokyo by the end of the year.

The Japanese companies in the venture include Nippon Telecom, Mitsui Corporation, Tokyo Electric Power, Sumitomo Corporation, Nissho Iwai, and Mitsuibishi Corporation.

The mobile communications field was opened to private companies last year, but delays on providing further regulations and specifications for the new businesses have so far prevented fast devalopment.

Mr Stephen Levy, Motorola executive vice-president and general manager of the Japanese operations, said: "Through the combined efforts of some members of tha industry and government bureaux, we were able to achieve participation in this new business. . . . However, much more work still lies ahead to reach the full potential of this business."

Nippon Telegraph and Telephona has supplied 700,000 radio pagers to Tokyo customers. Motorola said yesterday that they expect the market will be expanded significantliy

The US link with Brother Industries will involve Xerox producing the Brother-designed products at its Californian plant, for sale in the US and Europe.

The move is the latest in an increasing number of tie-ups between Japanese and foreign companies aimed at reducing the problems created by the appreciation of tha yen.

Fiat-Allis Soviet deal

The Fiat machinery subsidiary Fiat-Allis yesterday signed a contract to supply more than 250 bulldozers to the Soviet Union, the official news agency Tass reported, *Reuter reports.*

BCal's $1bn MD-11 order likely to spark engine battle

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE British Caledonian $1bn (£700m) order for nine new McDonnell Douglas MD-11 tri-jet airliners is likely to spark off not only a round of further orders from US and European airlines, but also a major battle among both financiers and engine builders.

BCal la buying the aircraft, not leasing them. Bnt it will bave to raise most of the $1bn required—it will probably put up soma cash itself—from existing bankers and other institutions customarily involved in financing major aircraft deals.

Its basic decision to buy rather than lease stems from the fact that as the launch customer, with the benefit of getting the first aircraft off the production line, it will have a first-class investment, instantly saleable if it ever needed to do so.

The MD-11 is likely to continue in production until well into the next century, and as such will have a high marketable valne for many years to come.

This means that BCal is likely to find no shortage of willing financiers for the cash involved, and it is probable that there will be a competition among them for the privilege of providing the money.

On the engine side of the deal, BCal has still to decide between the three major contenders—General Electric with the CF6-80C2-A3, Pratt & Whitney with the PW-4000, and Rolls-Royce, with the RB-211-524-D4D.

The GE and Pratt & Whitney engines have thrust ratings of up to about 60,000 lbs or more, but Rolls-Royce is still below that level, at about 58,600 with the 524-D4D.

Rolls-Royce will have to spend much cash and effort in bringing the D4D up to its competitors' level if it wishes to win the BCal order, which could be worth up to £200m in engines and spares.

In effect, this is an engine deal that Rolls-Royce cannot afford to lose, if it wishes to win further eventual orders for the D4D in MD-11s.

The D4D has already done well in winning the order to power the 16 new Boeing 747-400 Jumbo jets for British Airways, with an option on 12 more aircraft, but really to make money for Rolls-Royce, the market needs to be widened.

For example, the RB-211 in any version is not fitted to either the existing McDonnell Douglas DC-10 tri-jet (which the MD-11 will replace), or any version of the European Airbus, especially the A-310.

If it can win the BCal contract for the MD-11s, Rolls-Royce will be in a strong position to fight for further orders, especially now that its collaborative pact with General Electric of the US has been ended, freeing it to compete with that company on big engines in world markets.

BCal itself wants guarantees from Rolls-Royce quickly that its D4D engine can meet the thrust requirements of the MD-11—probably by early in the New Year.

Many airlines are reported to ba queuing now for MD-11 prodnction positions

Liquor row will test EEC policy towards Tokyo

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

WHEN Japan's Foreign Minister, Mr Tadashi Kuranari, visits Brussels next week at tha head of a Japanese Ministerial delegation, he is expected to be treated to more than just a glass of whisky by his EEC hosts. They will step up their already insistent pressure on him to make it easier for Scottish exporters to sell that same whisky in Japan.

As the year-long dispute between Japan and the EEC over imported liquors moves towards a denouement, it has increasingly assumed a symbolic importance in the EEC's efforts to prise open the Japanese market to foreign imports. Now tempers are getting shorter and the stakes are getting higher.

No one pretends that a successful resolution of the dispute would make a big dent in Japan's $85bn (£60bn) trade surplus with the rest of the world. EEC exports of spirits to Japan run at less than Ecu 200m (£120m) a year. These would double at best if all the alleged trade discrimination were to cease.

Yet the spirits issue has become a test of current EEC policy towards Japan. This aims to persuade the country to open its domestic markets to imports, rather than to force a reduction in the trade imbalance through a policy of European protectionism.

Moraover, both Brussels and London believe that the liquor exporters' case is particularly easy to argue. Mr Alan Clark, UK Trade Minister, calls the discrimination "flagrant." Mr Tim Jackson of the Scotch Whisky Association says that Japanese excise tax on Scotch is twice as high as that on locally-produced "first grade" whisky and seven timas tha rate charged on "second grade" whisky.

The exporters want an end to the grading system under which tha excise tax is levied in Japan, as well as a substantial cut in import duties. Tha grading system penalises imported liquor because it is automatically placed in the top "special grade" for tax purposes. As a result, a bottle of Scotch whisky in Japan can cost up to the equivalent of £60, Mr Jackson says.

The tax regime for spirits was one of the main points raised during his visit to Japan last week by Mr Paul Channon, Secretary of State for Trade and Industry. Department officials say that the Japanese Government recognised that there was a problem, but it is not clear that it will bow to the EEC demands.

MINIMUM JAPANESE TAX/DUTY ON LIQUOR (per litre)

	EEC imports Yen	Japanese produced Yen	Minimum fiscal protection (%)
Whisky	2,345	296	792
Brandy	2,424	296	819
Liqueurs	569	147	387
Vodka/White rum* (local vodka)	362	79†	458

* Import duty excluded because rate is variable. † Shochu (a local vodka)

Source: Scotch Whisky Association

At the moment the initiative rests with the ruling Liberal-Democratic Party's tax commission, which is due to make recommendations on tax changes later this month.

Japanese officials say that they have to contend with more then just powerful lobbying by the domestic liquor industry. Trivial though the question of spirits may seem, there is a temptation to see it as the thin end of the wedge. The EEC is known to have other products in its sights for export to Japan, notably electrical appliances, pharmaceuticals and chemicals.

Where liquor is concerned, there are also some quite delicate domestic political issues at stake. One is the way in which a new tax regime, based purely on the alcohol content of individual liquors, would affect the market for Shochu, a locally-produced spirit with a high alcohol content. Its popularity has been growing rapidly, partly because it is cheap. A new taxation regime would change all this, because, as the table shows, the current rate of tax is so low.

Another problem is more overtly political. It concerns tha complex balance of relationships between the Japanesa Government and the LDP itself. One fear is that the ruling party would react nagatively to Govarnment pressure.

Mr Sadanori Yamanaka, Chairman of the LDP Tax Commission, is a former MITI minister and a noted tax expert. "He doesn't want to look like a person who is influenced by tha Government," one Japanese diplomat said.

Such arguments get short shrift from the liquor exporters. "We must have a total restructuring of the present system," says Mr Jackson. This means that tha Japanese must get rid of the grading system and reduce their import duty. Anything less could make the situation marginally worse and risk being counterproductive.

Last week Japan agreed to the establishment of a disputes panel in the General Agreement on Tariffs and Trade if the eventual tax changes fail to satisfy the EEC demands. A finding against Japan by this panel would allow the EEC to take retaliatory action.

"There is no suggestion at this stage that we want to restrict their (Japan's) exports," says the UK'a Mr Clark, but he also told journalists this week that "we'll have to do something" if a satisfactory result cannot be obtained.

Adds a senior Commission spokesman in Brussels: "This really is a test case: we will certainly not give up."

HK-Indonesia steel pact signed

BY JOHN MURRAY BROWN IN JAKARTA

A $590m (£418m) joint venture agreement between four Indonesian companies and a Hong Kong-based investment group for a seamless pipe construction project was signed in Jakarta yesterday.

The contract, for which tenders bave already been received from Mannesman Demag of West Germany and Italiamplanti of Italy wil be awarded in about three months.

The new company, PT Seamless Pipe Indonesia Jaya, will be owned 30 per cent by Pertamina, the Indonesian state-run oil company and 39 per cent by Bakri Brothers, Indonesia's lasding non-Chinese private industrial group.

Tbe state-run PT Krakatowa steel company will take 4.9 per cent, PT Encona Engineering 6.1 per cent and the Hong Kong-based Asia Pacific Pipe Investment Corp 20 per cent.

The company's capitalisation is set at $190m, with tha additional $400m raised by tha contractor to cover the cost of plant construction.

Construction of the plant is due to start in 1987, and commercial production is set for 1990.

Turkey in bid to boost exports

BY DAVID BARCHARD IN ANKARA

TURKEY has announced new measures to promote exports end encourage the inflow of foreign currency into the country.

Exporters who sell more than $50m (£35m) worth of goods will be eligible for an additional 6 per cent tax rebate bringing the possibla tax rebate ceiling to 14 per cent.

The new tax rebate will be conditional on an exporter repatriating 70 per cent of his earnings.

The rebate system has also been relaxed by allowing the State Planning Organisation rather than the cabinet to decide which exports are eligible for a rebate.

Certain categories, however, will continue to be ineligible for rebates. These include re-exported goods, such aa iron and steel, and the sale of fresh fruit and vegetables to the European Community.

The government has also authorised the setting up of foreign exchange bureaux in Turkey. Until now only banks have been allowed to buy and sell foreign exchange.

Egyptians make car contingency plans

By Tony Walker in Cairo

EGYPT'S el-Nasr Automotive Manufacturing Company (Nasco) is making contingency plans to maintain production of its Fiot-supplied cars if a final agreement with General Motors of the US on a new assembly project is delayed.

Mr Ezzedin Haikal, Nasco chairman, said negotiations with GM were proceeding and it was boped that agreement on all aspects of a deal to assemble Opel kits at Nasco's Cairo plant would be concluded soon.

Mr Haikal added that the price and the possibility of including a third model in the packaga offered to Egyptian consumers wera among the issues being discussed.

Nasco is saying that a smaller car of ebout 1,000 cc, equivalent to the Fiat 128, is required for tba Egyptian market. At present, GM ia proposing to supply tha Corsa 1200 cc and the Ascona 1600 cc.

Reports have been circulating in Cairo that the GM project was being delayed and may even be in jeopardy because of General Motors world-wida review of its operations.

Mr Keith Sheldon, the project's finance director said the review was concerned mainly with North America, and he had heard nothing that would indicate a delay to the venture.

A new company, the General Nasr Car Company, has been established to assemble the Opel models under an agreement, initialled on September 24. GM, Nasco, Misra Iran Development Bank, and the Export Development Bank of Egypt are principal sharebolders.

Mr Haikal indicated that if discussions dragged on too long, then it would be difficult for the new company to begin assembling the Opel Asconas and Corsas in the second balf of next year as planned.

The Nasco chairman said supplies of Fiats such as the Regata were assured until mid-1987. Egypt is assembling about 22,000 Fiat cars a year.

Mr Sheldon said that once agreemenl had been reached on technical matters associated with establishing a new company, other details in the pre-production pbase would fall quickly into place.

Mr Haikal said that only limited modification was required to Nasco's plant to accommodate the GM products.

UK NEWS

GUINNESS TAKEOVER INVESTIGATION

Argyll assesses bid inquiry

BY CLIVE WOLMAN

THIS WEEK'S government investigation into the Guinness takeover bid for Distillers and the subsequent slump of the share prices of Guinness and Morgan Grenfell, its merchant bank during the battle, have focused attention on the legal consequences of such a probe.

The legal issue that has most *affected the stock market* is whether the Argyll Group, whose takeover bid for Distillers was thwarted by a counter-bid from Guinness, would be able to sue Guinness or Morgan Grenfell for damages.

The potential losses for which Argyll might claim compensation are substantial. Its expenses incurred during the bid battle were £55m, offset by a £20m profit on holding Distillers shares. But Argyll, if it had a case, might even be able to claim damages equal to the profits (net of acquisition costs) that it has foregone by failing to acquire Distillers.

Argyll's directors made it clear yesterday that they would probably not consider suing unless the investigation of the Trade and Industry Department (DTI) *found that Guinness was* in breach of the Companies Acts during the takeover battle. Its action could then be based on a breach of statutory duty.

The sections of the 1985 Companies Act under which the DTI has set up its inquiry give some important clues as to the reasons behind it and the possible breaches of the Companies Acts that are being investigated.

The inspectors have not been appointed under the insider dealing provisions of the 1986 Financial Services Act even though such an appointment would have given the Secretary of State tougher powers to compel the production of evidence, particularly from foreign-based banks and financial institutions.

This suggests that the DTI has *no suspicions of insider dealing* although, if the inspectors come across such evidence and need an extension of their powers, they could doubtless be given a further appointment under the 1986 act.

But the inspectors have been appointed not only under section 442 of the 1985 act – which deals with the suspicion of an illicit concert party, or secret share-buying arrangement – but also under section 432. This indicates that the DTI investigation is based on more serious allegations against *Guinness.*

One possible basis for invoking section 432 is that shareholders have not been given all the information "which they might reasonably expect" about their company's affairs. The other likely basis is that the company's affairs have been conducted in a manner prejudicial to some of its shareholders.

These provisions indicate that the suspected misconduct relates not only to the share dealings in Guinness and Distillers at the time of the bid but also to the commercial affairs of the company. This would include, for example, its distribution contracts with agents.

Decline in American visitors continues

THE DECLINE in visitors from North America continued at a high level in September this year although there are signs that the fall-off in tourists to the UK may be slowing down, **David Churchill** writes.

Figures from the Department of Employment published yesterday show that there were 19 per cent fewer visitors from North America in September of this year compared with the same month in 1985.

However, this represents an improvement over the 40 per cent shortfall in American visitors reached in the early part of the summer. This decline followed widespread fears in the US of a renewed terrorist campaign in the UK and Europe following the US bombing of Libya in the spring.

So far this year there have been 27 per cent fewer visitors from North America to the UK although, over the same period, visits to the US by Britons are some 23 per cent above the level of 1985.

The fall in North American visitors in September led to an overall shortfall of 6 per cent in visitors to the UK. However, the value of expenditure in the UK by overseas residents in September rose by 4 per cent to £625m.

Expenditure abroad in September by UK residents rose by 27 per cent – to £850m

□ **EMPLOYERS** in the UK should not be afraid to award "significant" pay rises to high-performing employees, according to the Institute of Directors.

In a speech to be given today to an IoD conference on effective remuneration, Mr Graham Mather, head of the IoD's policy unit, will say that, with industrial company profits forecast to rise by an average 17 per cent this year and financial-sector profits rising at double that level, many companies may be seeking to share with their employees the rewards of success.

He will tell the conference: "They should not be afraid to reward performance with pay, throughout the business, from senior directors to the shop floor."

□ **BRITAIN'S** welfare state benefits the better-off rather than the poor, according to a Church of England report. The report, by a working party of the church's social policy committee, calls for improvements in the welfare system. It says the gross inequality between the very rich and the poor is not just a social misfortune but a social evil.

□ **BROWN SHIPLEY,** the merchant banking and insurance broking group, plans to establish a £15m venture capital fund with the aim of investing in management buy-outs, buy-ins and unquoted companies requiring development capital.

□ **HOUSE PRICES** have increased by an average of 13.6 per cent over the year to the end of November, more than four times the rate of retail price inflation and double that of average earnings, according to the Halifax Building Society's house price index.

□ **A FURTHER** 35 contracts have been awarded to 31 UK and four continental European parts and materials suppliers by Nissan's UK car assembly subsidiary in north-east England. The contracts bring the total awarded to UK and Continental suppliers to 67 and will take European content to around 50 per cent by next summer.

□ **LONDON** could be heading for a collapse in public services similar to that suffered by New York a decade ago unless current trends were reversed, according to Mr John Banham, controller of the Audit Commission and director general elect of the Confederation of British Industry.

□ **BRITISH TELECOM** has started a £50m programme to install optical fibre in the City of London, BT's first large-scale use of optical fibre in its local network and on customers' premises. Optical fibre tends to mean better-quality transmission and more flexible telecommunications services.

□ **THE MORNING STAR,** the left-wing daily newspaper, is making nearly a quarter of its staff redundant in an effort to avoid closure.

US bank wins court appeal

By Raymond Hughes, Law Courts Correspondent

THE LONDON branch of Bankers Trust Company, a New York bank, has won its appeal against a High Court ruling that it must pay immediately, in dollar bills, $131m claimed by a Libyan bank.

The Court of Appeal yesterday overturned the ruling and gave Bankers Trust unconditional leave to *defend the claim* by Libyan Arab Foreign Bank, which is wholly owned by the Libyan central bank.

The claim is part of Libya's moves to recover funds in US banks frozen by President Ronald Reagan in January as part of his anti-terrorism drive. In its action, which will come on for full trial next June, the Libyan bank is claiming a total of $300m. In October Mr Justice Evans gave the Libyans summary judgment on the $131m part of the claim, saying that Bankers Trust had no arguable defence.

He ruled that the $131m was in a "dollar deposit account" and not a "Eurodollar account" – which would have given Bankers Trust a defence – and that, therefore, the Libyan bank could demand payment in London rather than through the US clearing system.

Bankers Trust felt unable to comply with the Libyans' demand for payment because of the freeze and because, in Bankers Trust's view, the Libyan account was within the Eurodollar market.

The appeal court will give its reasons for allowing Bankers Trust's appeal later. From the three judges' interventions during the hearing it seems likely that they took the view that the issues were so complex and the implications so important that it was not a proper case for summary judgment but required full evidence and argument.

Defending the High Court ruling, the Libyan bank argued yesterday that, as a matter of long-standing banking practice, money deposited in London was repayable in London.

It said that its London account was a running deposit account of a kind that did not come within the Eurodollar market as described by Bankers Trust.

Bankers Trust had produced no clear, convincing and consistent evidence that there was a banking usage that required payments from an account such as the Libyans' to be made in the US and nowhere elsa.

Although Mr Reagan's freeze purported to have extra-territorial effect, it gave no defence in England to the claim. The London account was governed by English law, the Libyan bank asserted.

Call for reform of taxation to encourage innovation

BY HUGO DIXON

FINANCIAL TIMES CONFERENCE
Venture Capital

THE TAX system, not shortage of finance, was discouraging entrepreneurship, a leading venture capitalist warned yesterday.

Mr Colin Clive, chairman of the British Venture Capital Association (BVCA), said the Government had done much to encourage investors through stock options and the Business Expansion Scheme. However, it had done little to reform the tax system so that a manager wishing to run his own business was not discriminated against.

Such entrepreneur-managers were "the geese that lay the golden eggs" – the key elements in the creation of new businesses, Mr Clive said. However, Britain suffered from a shortage of them.

Speaking at a forum on venture capital organised by the Financial Times and the BVCA, Mr Clive proposed two specific changes to the tax system to remedy this.

First, a full-time manager of a small business should not have to pay income or capital gains tax on the first £40,000 he invested in his own company, provided the investment was held for at least five years.

At the moment, not only did the entrepreneur-manager lack such an incentive to set up a business, but the tax system penalised him. Mr Clive said: His capital gains are treated as income, which is usually taxed at a higher rate. As a result, experienced executives had no incentive to leave established companies to set up on their own.

Second, investors in UK onshore venture capital funds should pay capital gains tax once, not twice. In particular, the Government should recognise that a limited partnership was a suitable vehicle for the ownership of a venture capital fund and that a venture capitalist who took part in such a partnership would pay capital gains tax, not income tax.

This was the system which now operated in the US. In the UK, however, an investor could pay tax twice – when the fund sold shares in companies it had invested in and when the investor sold his shares in the fund. As a result, Mr Clive said, there had been a growth of offshore funds, which were expensive and time-consuming to manage.

Mr Paul Channon, Secretary of State for Trade and Industry, said he sympathised broadly with Mr Clive's aims, but he said he could not give any specific undertakings on tax changes. He listed three challenges for the venture capital industry.

- The north-south divide in Britain was "extremely worrying" because more than half of UK venture capital investment went to companies in London and the south-east of England. To redirect more of this investment to the north, he advocated more efforts by regionally based venture capital funds and more co-operation between them and national ones.
- There was insufficient research and development, and he proposed more co-operation between industry, higher education and financial institutions.
- Small firms found difficulty in raising their first £100,000 of equity finance, which he feared was leading to "ventures of great potential benefit to the country" being missed.

Data body steps up registration drive

BY TERRY DODSWORTH

THE UK data protection agency has launched a campaign to force the registration of thousands of data users who have failed to seek a licence to hold and manipulate computerised information.

The closure date for registration under the 1984 Data Protection Act, which seeks to protect individuals against the misuse of computerised information, was set for early May of this year. But according to the agency, only about 130,000 of the UK's estimated 300,000 data users have so far bothered to register.

"We are now trying to match up people we believe are users against those that have registered," a spokesman said yesterday.

Although the Office of the Data Protection Registrar was set up two years ago, the provisions of the act have been brought in gradually to allow data users to adapt to the new conditions. Many users are believed to be still confused about whether or not they should register, since several categories are exempt from the registration process.

"But if people are ignoring the act, or being lax about it or avoiding it, the registrar has made it quite *clear that he will not be lenient.* He will consider prosecution if there is evidence of wilful avoidance," the spokesman said.

So far, the main right given to individuals under the act is to receive compensation for loss or destruction of personal data. From the end of next year, individuals will be able to demand a copy of information about them held in data banks.

Mr Eric Howe, the Data Protection Registrar, said yesterday that many of these problems could be resolved by appealing to him in his ombudsman role rather than going to court. More than 160 complaints had been received from individuals, he said.

Tyre jobs join bid losses list

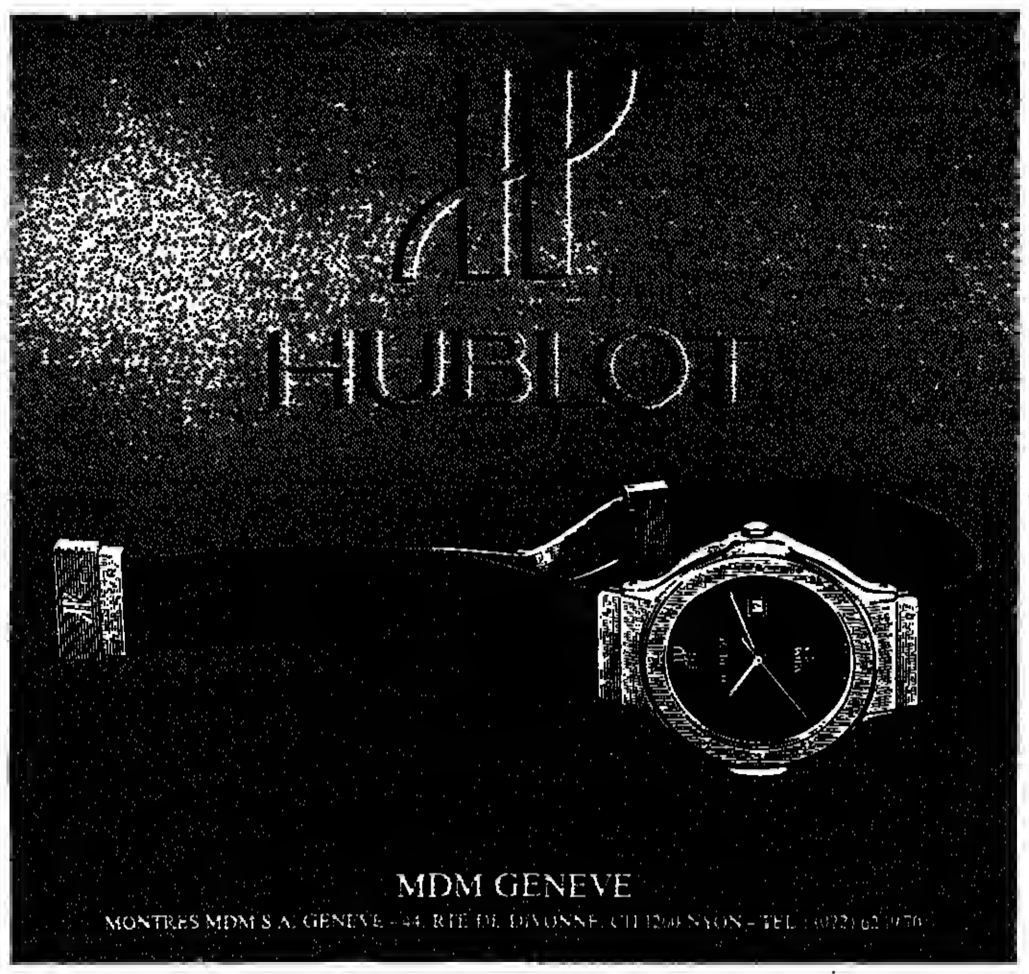
By John Griffiths

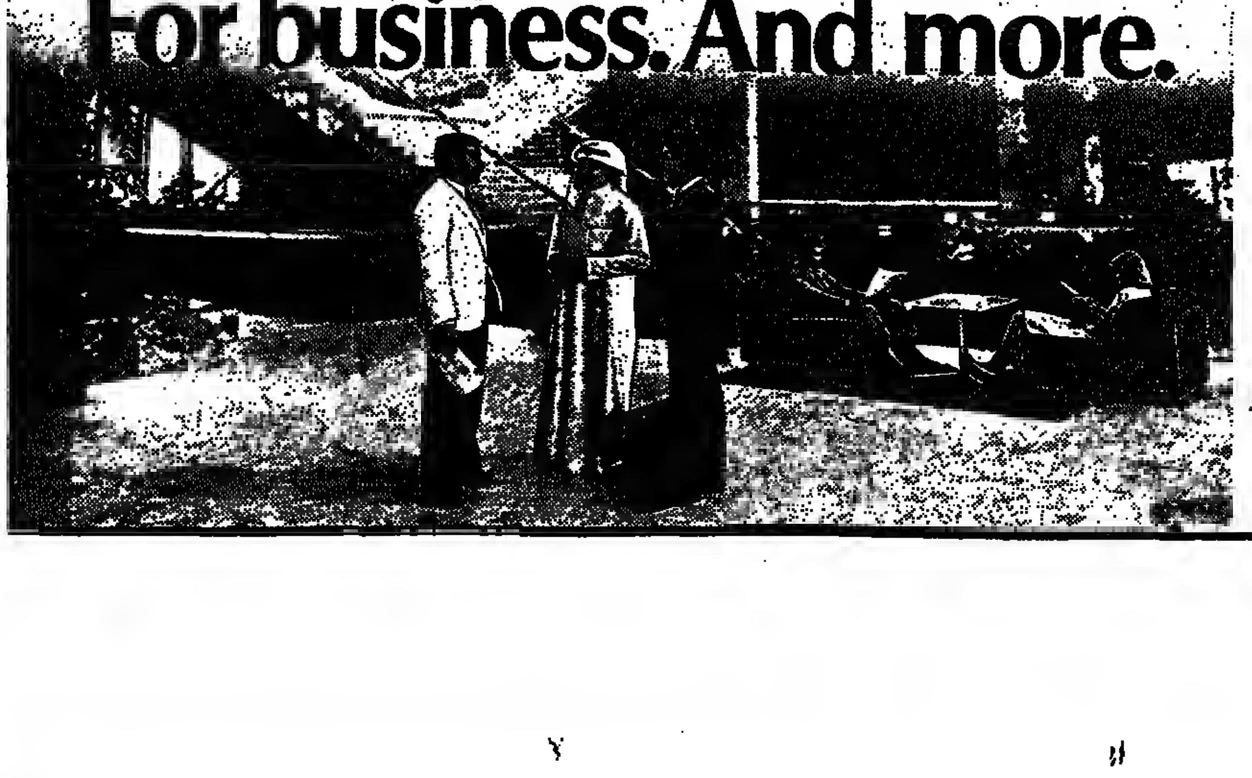
SOME 145 employees of Goodyear's subsidiary in the UK appeared yesterday to have joined a growing list of casualties of financier Sir James Goldsmith's defeated, $5.3bn bid for the American tyre and rubber company.

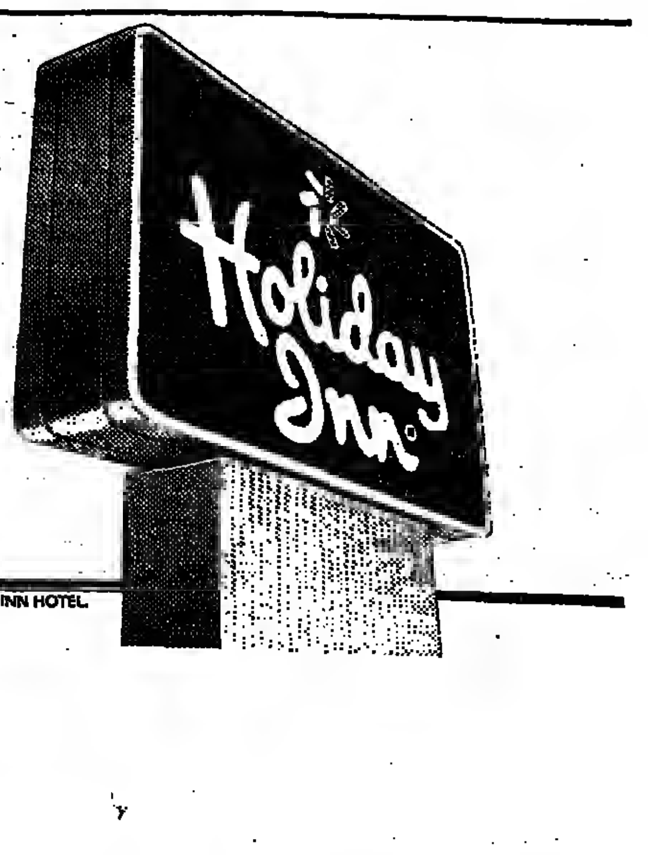
The subsidiary, Goodyear Tyre and Rubber Great Britain, said yesterday the employees were to lose their jobs over the next three months. It described the move as "part of a restructuring programme to reduce overheads" and said it was likely that the UK company's workforce would fall further, in the long term, from its current 5,800 level.

The job losses announced yesterday are understood to have been accelerated as part of what Goodyear's US parent now claims to be an urgent need to cut costs worldwide in the wake of the Goldsmith bid.

Mr Robert Mercer, Goodyear chairman, has already announced the intended sale of at least $1bn worth of assets, withdrawal from grand-prix racing and other restructuring measures sparked by the bid. Sir James agreed not to pursue the bid and to sell back his 11.5 per cent stake to Goodyear, earning his investment group more than $90m.







Young hails fall in long-term jobless figures

BY PHILIP BASSETT, LABOUR EDITOR

LONG-TERM unemployment in the UK fell by 7,000 in the latest quarter, Lord Young, Employment Secretary, said yesterday.

The fall is the largest non-seasonal drop in long-term unemployment since the late 1970s and is the biggest quarterly decrease since 1973-74.

Ministers believe that the reduction in the number of long-term unemployed, who make up more than a third of total unemployment, is only the first and the trend in long-term unemployment is now downward.

Speaking to the all-party House of Commons' select committee on employment, Lord Young said that, according to normal seasonal patterns, there would have been an expected increase of about 20,000 between July and October in the numbers of the long-term unemployed.

But he said: "In fact, the number of people unemployed more than a year has fallen by 7,000." He said that the figures proved correct his forecast in the summer that long-term unemployment would fall by Christmas, and he added: "I am confident that long-term unemployment will continue to fall."

Lord Young said that long-term unemployment had risen each quarter for most of the decade, but he said: "For the first time we can see a substantial drop of 27,000 – the difference between what was expected and what we have got today." This would continue, and he added: "When the figures for the next quarter come up, I expect to see an even larger fall in long-term unemployment."

The latest reduction takes the total of long-term unemployed to 1,341,000, down from 1,348,000 in the quarter to the end of June.

Lord Young told the committee that the decrease reflected "tremendous effort" which had been put to Restart, the Government's latest programme for the long-term unemployed, under which people unemployed for more than e year are invited to a personal interview with Department of Employment officials to consider in-depth the opportunities available to them.

Lord Young said that the programme was now on a "massive" scale – by October 9 the Manpower Services Commission, the Government's employment services agency, had invited more than 520,000 people to an interview and had conducted 370,000 interviews.

He said: "As with any new programme, it is early days yet, but I believe we are beginning to see the rewards of this programme. Reviving the confidence of the long-term unemployed will encourage them to tackle the labour market again."

Lord Young also forecast a further fall in youth unemployment following a decrease of 100,000 over the last three years in the number of unemployed people aged under 25.

He said that recently "there has been a significant change in the labour market with the downward movement in youth and long-term unemployment – the groups to whom we have given particular priority."

The select committee is to conduct an investigation of the Government's statistics on unemployment. Lord Young told the committee he would provide it with all the necessary information.

Lord Young said it would now be "absolutely wrong and false" to revert to the method of recording unemployment which applied in 1979.

P & O expected to bid for European Ferries

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

P & O, the Peninsular and Oriental Steam Navigation Company, is expected to announce an agreed bid for European Ferries today.

Share dealings in both companies were suspended by the London Stock Exchange yesterday after the Monopolies and Mergers Commission reported that P & O's 20.08 per cent stake in European Ferries was not against the public interest.

Mr Geoffrey Parker, chairman of European Ferries, and Sir Jeffrey Sterling, chairman of P & O, met at a European Ferries board meeting shortly after the publication of the commission's report.

Neither company would elaborate on the negotiations, but it was clear that agreement on a takeover had been reached in principle. Talks were expected to continue into the early hours of this morning.

The Monopolies and Mergers Commission inquiry did not consider the consequences of a takeover of European Ferries by P & O, and it would be open to Mr Paul Channon, the Trade Secretary, to request a fresh report in the event of a bid.

This was considered unlikely, however, since the issues the commission would have to address would be virtually identical.

Sir Jeffrey Sterling is believed to regard a bid for European Ferries as a logical move in an area in which P & O has substantial expertise.

P & O sold its Normandy Ferries passenger business to European Ferries last year for £12m but still operates 18 ferries, mostly carrying roll-on, roll-off freight. Most operate on the Irish Sea, but two are committed to a joint North Sea service with Nedlloyd Lines of the Netherlands.

European Ferries operates 24 ships on the English Channel, the North Sea and the Irish Sea and also owns and operates ports at Felixstowe and Larne. Both ports are used by P & O ships.

Both companies also have extensive property interests although European Ferries has experienced problems with holdings in Denver, Houston and Atlanta where the market has weakened in response to lower oil prices.

European Ferries was forced to write off £15m against property holdings in Houston – a figure which was revealed in the 1985 accounts at the insistence of P & O.

P & O reported profits of £89.8m before tax for the first six months of this year, some £7m more than expected, and is forecast to return full year figures of more than £170m.

European Ferries, by contrast, reported an interim loss of £4m at the pre-tax level following a 10-week stoppage on services operating from Felixstowe.

Monopolies Commission report, Page 26

Wealth patterns endorse north-south divide

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

FURTHER EVIDENCE of the sharp north-south divide in Britain's economic performance and prosperity was provided yesterday by an official study on spending patterns and earnings.

Preliminary data from the Department of Employment's 1985 Family Expenditure Survey show that the earnings of the average household in the prosperous south-east are now around 45 per cent higher than in the depressed north of England.

The survey also illustrates the large gap between the earnings and spending power of the richest and poorest groups in the population, and between those in work on one side and pensioners and the unemployed on the other.

The average British household spent just under £162 per week in 1985, £10 more than the previous year. Low-income pensioners, however, spent just 24 per cent of the national average, while the weekly outlays of the richest 20 per cent of the population were 84 per cent higher than the average.

Households with the main wage-earner in work spent just under £205 per week. Those headed by a person among the long-term unemployed could afford less than half that amount.

Regionally, the figures show the sharp discrepancies that have been emerging as a result of the imbalance in economic growth between different areas of the country.

In an analysis covering both 1984 and 1985, the survey says that the typical weekly income of a household in the south-east was £248. For a household of similar composition in terms of the number of adults and children in the north the figure was £170. In between, households in a region such as East Anglia (eastern England) had an average income of £204, while those in Yorkshire and Humberside in the north averaged £179.

Similar, though not quite as large, disparities are revealed by typical spending patterns, with the northern households recording an average weekly outlay of £131 against the £181 recorded for the south east.

Part of the explanation is the concentration of long-term unemployment outside the south-east. In the average household of 2.5 people in the north of England, for example, 1.52 were not working. The size of households in the south-east is about the same but on average only 1.29 are without employment.

The income disparities are also clearly reflected in the ownership of cars and other durable goods such as video recorders.

SHARE OFFER OVERSUBSCRIBED BUT PREMIUM THREATENED

Gas sale falls below expectations

BY RICHARD TOMKINS

THE £5.6bn offer for sale of shares in British Gas was oversubscribed when it closed yesterday, but the number of applications received seems certain to have fallen embarrassingly short of expectations.

With counting still going on last night, best estimates put the total number of applications at between 3.5m and 4m – far below the 5m applications received for the much smaller and less heavily promoted TSB flotation in September.

Market research in the run-up to the British Gas offer had suggested thet 6m were certain to apply for shares and thet another 4m probably would. More than 7.5m people registered their interest in the offer with the British Gas share information office.

The weight of money received has been enough to trigger the clawback arrangement which brings more shares into the public offering at the expense of institutional and overseas investors but seems likely to leave the issue as a whole subscribed only 1.3 times.

If the figure for the number of applicants is confirmed, it will almost certainly have implications for tha opening price of British Gas's shares when dealings begin on Monday. Mr Peter Spring, an analyst at Greenwell Montagu, the stockbrokers, said: "Psychologically, it would be very bad for the market, and expectations for the premium would be very limited."

The "grey" market price being made in the shares ahead of official dealings was slightly down at 58½p yesterday, but this was ahead of any firm indications of the response to the offer.

N. M. Rothschild, the merchant bank sponsoring the issue, said the total number of applications appeared to have been reduced by the number of joint applications made and that the average value of each application had been much higher than expected.

"We will certainly be making at least 3m alloments, which is more than in any other issue," said Mr Tony Alt, a director. "It is quite wrong to compare British Gas with TSB. That was a give-away, whereas this was a sensibly priced offer."

As Mr Peter Walker, Energy Secretary, watched the last applications being handed in in the City of London yesterday morning, a damage limitation exercise was already swinging into operation. It was clear by then that a shortfall was in sight, but Mr Walker refused to acknowledge any sense of disappointment over the response.

Meanwhile, Sir Denis Rooke, the chairman of British Gas and never an ardent proponent of its privation, appeared to be distancing himself from the flotation.

Council cash switched to head off Tory revolt

BY PETER RIDDELL AND FIONA THOMPSON

THE SIZE of changes in next year's central government grant to local authorities is to be limited, benefiting most out-of-London boroughs and surrounding counties.

The revision, announced in tha House of Commons yesterday by Mr Nicholas Ridley, the Environment Secretary, leaves the aggregate Treasury grant for 1987-88 unchanged at £12.8bn. So the alterations represent a redistribution from some councils to others. This follows vocal protests by Tory MPs, particularly from around London, who threatened a major Commons revolt unless the plans were changed.

Mr Ridley argued that the decision was not political but reflected the appearance of new information on expenditure levels and capital allocations which are used in the calculations of grants. This would have further reduced the grant entitlements of those authorities which were already due to lose most under earlier proposals.

The changes provide for a tighter safety net with a maximum loss of grant for local property tax payers, together with a limit on increases in grant.

The main beneficiaries of the revised settlement compared with earlier proposals are counties such as Surrey, Hampshire, Hertfordshire, Bedfordshire and Oxfordshire as well as outer-London boroughs. But many metropolitan districts, such as Birmingham, lose out.

The announcement was yesterday welcomed by Tory MPs from outer London, although criticised by some others.

Government seeks to switch spy row on to Labour's role

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE CREATION of an external review body to oversee the activities of Britain's security service will remain impossible as long as the Labour Party breaches the political consensus on defence and security issues, Mr Douglas Hurd, Home Secretary, told the House of Commons yesterday.

His attack represented a further attempt by the Government to deflect criticism away from its own handling of the MI5 spy-book case in Australia and to focus attention on the Labour leader's role in the affair. But Mr Gerald Kaufman, the shadow Home Secretary, accused Mrs Margaret Thatcher, Prime Minister, and her ministers of "corrupt decision making" and repeated inconsistencies when considering whether or not to ban the release of security-sensitive information.

Mr Kaufman asked why Mrs Thatcher had sent Sir Robert Armstrong, the Cabinet Secretary, to Australia "to make a fool of himself and to leave in public tatters a previously important and prestigious office." He demanded to know why she had decided, in 1981, not to prosecute a book on the security services by Mr Chapman Pincher.

Mrs Thatcher's office yesterday did nothing to dispel the impression that Mr Neil Kinnock, the Labour leader, has put in jeopardy his access to security briefings by making direct contact with the Australian lawyer who is challenging the Government's attempt to prevent publication of a book by Mr Peter Wright, a former MI5 officer.

It was being emphasised that Mrs Thatcher was anxious to preserve the bipartisan approach which governed security issues but that it was up to Mr Kinnock, on his return from the US, to make his own position clear.

Mr Hurd told the Commons that Mr Kinnock's actions represented "an amazing mixture of inexperience and irresponsibility "and were the latest in a long line of examples of the breakdown in consensus which had taken place.

Mr Roy Hattersley, Labour's deputy leader, issued a statement saying the party did not mean to be deflected by the wholly unjustified attacks being made on Mr Kinnock, whose Australian contacts had been solely designed to clarify and confirm publicly available information. The real issue was one of government competence and integrity and allegations that Labour wanted the publication of material damaging to national security were a lie.

UK NEWS

Sales pitch to middle England

Raymond Snoddy profiles Neil McRae (right), the new UK managing director of Readers Digest

MR NEIL McRAE, the new managing director of the Readers Digest Association in the UK, has a well-honed image of his market.

The Readers Digest reader is almost the personification, he believes, of conservative middle England.

"They are responsible, well established, affluent citizens with an outlook that is upbeat. People who believe in the country, believe in the future, believe in private enterprise," says Mr McRae, who became managing director in July.

With his white shirt and dark suit, reassuring air of a friendly bank manager, dinghy sailing and charity work for Save the Children in his spare time, Mr McRae, 47, is clearly one of them. He lives with his wife and three daughters in a comfortable surburb on the north-west fringe of London.

The Readers Digest, founded in 1922, sells more than 1.6m copies of its British edition – 95 per cent of them through subscriptions – and within the company the UK company has outperformed every other country apart from the US for the past three years.

The only time the upbeat Mr McRae, born in New York and educated in Cape Town, shows a trace of irritation is when he hears the word "timewarp" used yet again about the magazine.

Yes, Life's Like That is still there. And the real-life drama, the condensed book and even advertisements for the "free" magazine The Plain Truth which can "help yon face the future with renewed confidence."

The formula of providing articles of relevance to readers' lives and of lasting interest does not change, he concedes.

"When you're got a damned good formula, you change it at your peril," says Mr McRae.

The magazine accounted for about 25 per cent of £70m turnover in the year to June, with most of tha rest from recorded music and special books on car care or vanished civilisations – "education with a very small e," as Mr McRae puts it.

But if Readers Digest has a familiar feel to it, the company is in the process of embarking on its first major diversifications since the 1960s.

Ironically there is an almost subliminal hint at the change of direction in the first item in the Happiness Is ... column in the December issue of the magazine.

"Happiness Is ... Finding out that the mess you're in is fully covered under your insurance policy."

The Readers Digest company is moving into life insurance. "Insurance is such a jungle. We asked Sedgwick to find us the best possible policy," says Mr McRae.

The company has just finished sending out 2m direct mail shots on term life insurance policies to specially selected names from the Readers Digest's jealously guarded database of addresses which are never sold on to third parties.

Tha mail shot followed detailed research on the pattern of insurance buying.

It showed, not surprisingly, that people who bought books on the home were better insurance prospects than purchasers of books on animals.

One potential problem – thet Readers Digest customers might be such good prospects for insurance that they all might have it already – has not materialised.

"The forecast we made after the test marketing has been exceeded," says Mr McRae, who is now looking at the possibility of Readers Digest endowment policies.

Mr McRae, who until his promotion was responsible for new business development at Readers Digest, is also planning a new venture to handle marketing and subscription for a host of monthly magazines for a fee.

The concept being tested envisages Readers Digest customers receiving promotional material with a list of 63 magazines. Readers Digest would collect the subscription and then relay the information on new readers to the distribution departments of each magazine.

The idea is being carefully looked at to ensure that all the risk has been removed before the private company which grows its business from its own resources rather than borrowings finally decides to go ahead.

Like a prudent reader of the Readers Digest, however, the company is investing in the future while profits are good "and we have a little fat on us" so that the future can be faced with renewed confidence.

Britain prepares to lift security veil on Hotol space aircraft

BY PETER MARSH

BRITAIN is due early next year to lift the security wrap from Hotol, the country's proposed space-going aircraft, as part of an effort to convince other European countries to back the project.

The UK's reluctance to discuss the full details of the project, which the Defence Ministry has classified, has added to scepticism about Hotol at the 11-nation European Space Agency (ESA).

Britain is trying to enlist European support for Hotol, (Horizontal Take-Off and Landing). The project, which is still in its early stages, could lead to a vehicle that takes off from a runway like an ordinary aircraft lifting people and material into space at a fraction of the cost of conventional rockets.

Tentative estimates for Hotol suggest that it could cost about £4bn, of which Britain would put up no more than about 25 per cent with the rest coming from other European countries. If supported in the next couple of years, Hotol could be flying in the early part of the next century, say UK officials.

Mr Roy Gibson, director general of the British National Space Centre, said he hoped the security classification over Hotol could be lifted by February. The Defence Ministry automatically classified the project, on which Rolls-Royce and British Aerospace are working, because of its possibla military applications.

The most secret part of the project concerns the vehicle's engines, code named RB 545, which are under study at a Rolls-Royce test facility in Ansty, near Coventry, West Midlands. The devices are intended to breathe air in the early stages of ascent and then, in the upper stages of the atmosphere, switch over to a source of liquid oxygen. At this point they would behave like rocket engines.

Although this principle of using a single engine to move a vehicle into space has been under study for some 20 years, mainly in the US, engineers have yet to prove that the concept can work.

Britain has caused some frustration at the Paris-based ESA by trying to gain general support for the scheme but without divulging the full details of the engine design.

Professor Reimer Luest, ESA's director general, said British officials had given him "a good presentation" on Hotol but without explaining the engine technology. "I would like to know what is the trick to Hotol," said Prof Luest. "I am not sure if Hotol is a feasible scheme or just a good idea."

Mr Alan Bond, a leading UK rocket engineer who is a consultant to Rolls-Royce on the Hotol project, said that he hoped engineers could demonstrate the validity of the Hotol concept by next summer. He said he was "very sorry" that the project had to be classified, but this was because the US and Japan, both of which are working on advanced engines for space vehicles, would dearly love to know the secrets of the project.

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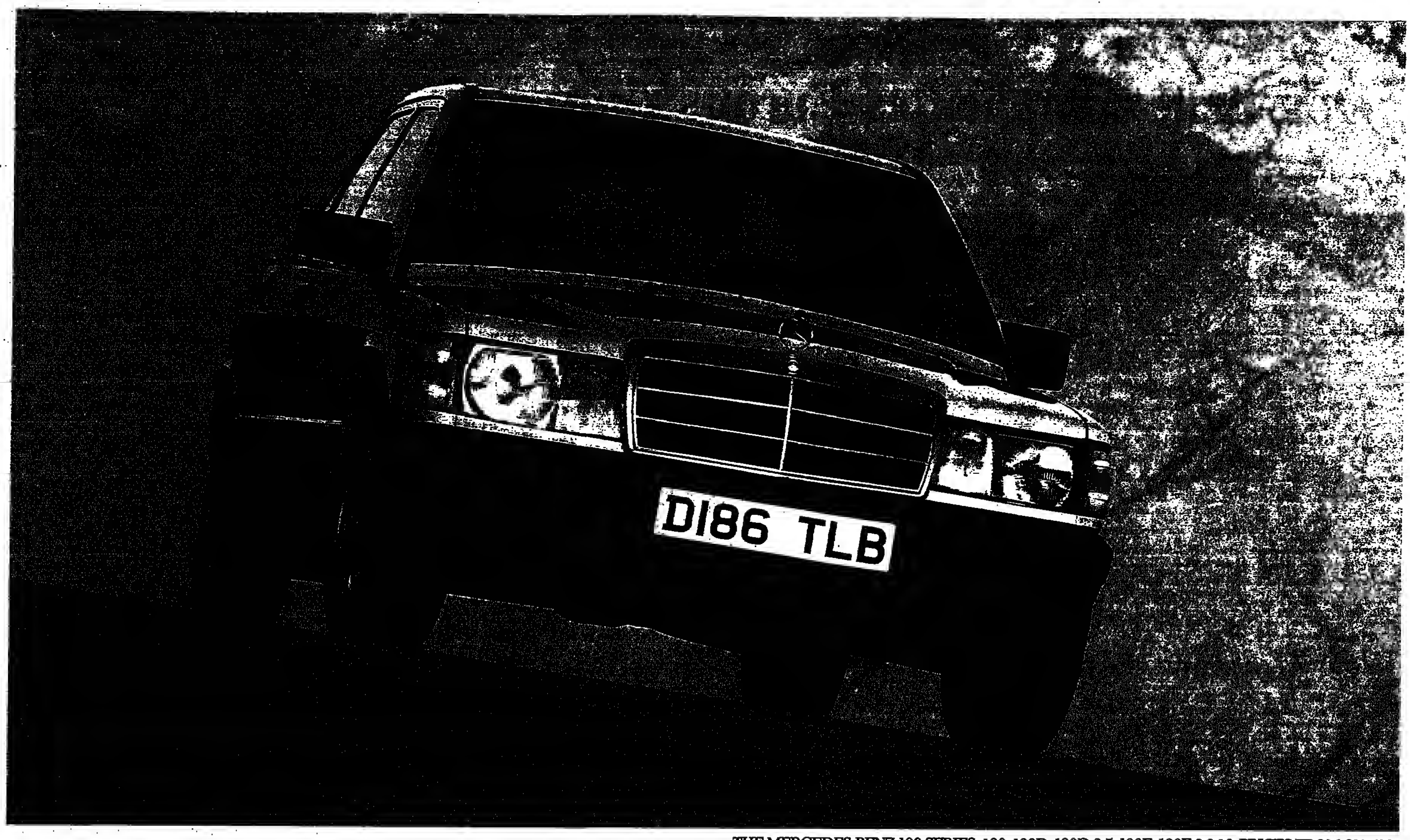

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TECHNOLOGY

HERMES, HOTOL AND SAENGER

Dog-fight complicates Europe's thrust into space

By Peter Marsh in London and David Marsh in Bonn

RIVAL SCHEMES proposed by France, Britain and West Germany are complicating European efforts to agree on a new eeriee of manned space launchers. These vehicleo would represent e leep by Europe into e new area of space tronsportation to follow the development of Ariane, an expendable rocket which lifts satellites into orbit.

The three countries, together with the other members of the 11-nation European Space Agency (ESA), bave to decide by next summer which combination of the projects to back in plans to develop over the next 20 years vehicles that can carry people to and from orbit. The ESA, based in Peris and with an annual budget of about $1.2bn, was set up in 1975 to administer Western Europe'e space programmee.

Leading the field among the rival launcher projects is the French-inspired Hermes, e small, winged craft, with room for several passengers, that would enter orbit on top of an ordinary rocket. This will be Ariane-5, a more powerful vereion of today's Ariane. Hermes has already been adopted as an ESA programme, with design under way and full-scale construction likely to start next year.

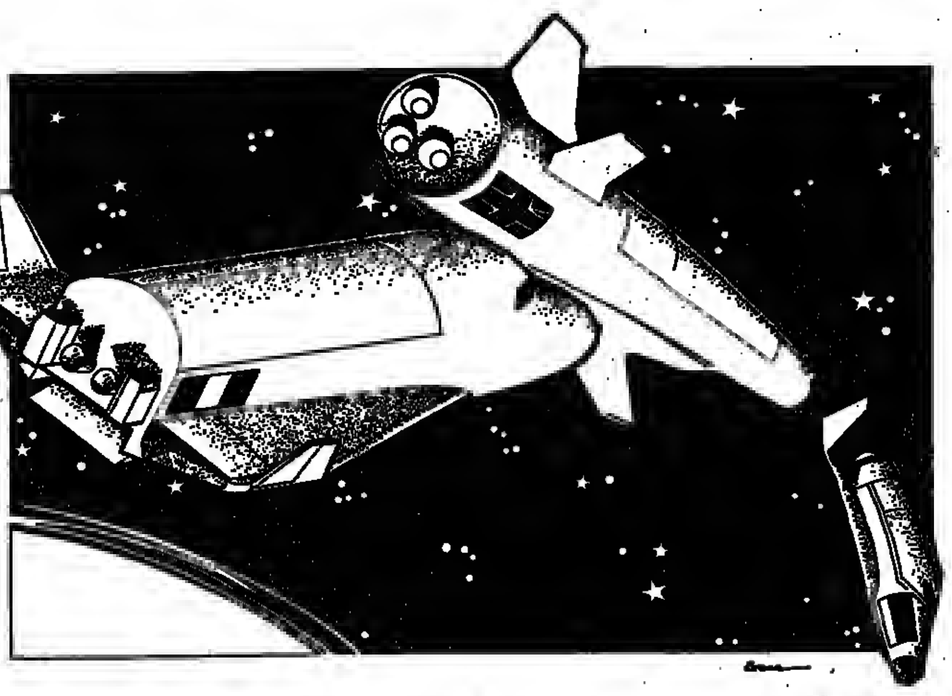
Providing competition for Hermes is Hotol, proposed by the UK. Hotol, which is short for Horizontal Take Off and Landing, promises to dispense with conventional rockets. Instead, the vehicle, looking like a 21st century version of Concorde, would take off and land using e runway.

According to Mr Alan Bond, a leading UK rocket engineer who is credited with inventing Hotol, the vehicle's main achievement would be to cut greatly the costs of putting payloads into orbit—with giving rides to men and women a eecondary consideration.

The maverick outsider among the space projects is Seenger, a German scheme for e hypersonic aircraft the size of a jumbo jet which would carry piggy-back a second, rocket-powered vehicle that would enter space.

Like Hotol, Saenger Is coneidered by most observers to be unlikely to fly before the early years of next century, while Hermes oppears e le/s ambitious concept which could be operational by the mid to late 1990s.

According to this view, Hermes, the costs of which are put et $2bn-$3bn, is seen as Europe's second generotion transport system, following the Ariane development. Hotol and Saenger (or possibly o combination of the two) are regarded as a third generetion of lounchers for use around 2010. Rough estimates for the costs of the two projects are $6bn for Hotol and $12bn for Saenger.



In recent weeks, however, Britain has upset this consensus. It has proposed a more radical strategy, that the ESA might do better to drop Hermes and instead proceed in one step to Hotol. Mr Roy Gibson, director general of the British Netional Space Centre, says the final choice should be made only when the design phase for Hermes is finished next summer.

Mr Gibson points out that Hermes is not a launcher—it needs an Ariane to boost it into orbit. Hotol, meanwhile, is a new concept which could mean Europe leaps into a new form of transport, ahead of the US.

Mr Gibson says that building Hermes ahead of a Hotol or Saenger vehicle would give Europe a few years of manned space flight — which he says would be "very interesting"—but be is not sure if the cost could be justified by the limited goals involved.

Mr Bond, who worked on Britain'e eborted Blue Streak rocket project of tha 1960e and is now e consultant for Rolls-Royce, which with British Aerospace is working on Hotol, goes further than Mr Gibson. He says it would be "a total mistake" to build Hermes.

According to Mr Bond, the need to carry Hermes will force engineers to stretch Ariane-5 to its limits, making the rocket uneconomic in what Mr Bond ergues sbould be its more important job, lifting satellites into orbit.

According to Mr Bond, Rolls-Royce engineers are "nearly there" in their design of the new, air-breathing engine intended to power Hotol. Details of the engine, which would allow the craft to take in air during the early stages of ascent and switch over to a supply of liquid oxygen in the upper otmosphere, are classified.

The British suggestion about missing out Hermes has caused rancour in France, which as Western Europe's biggest spender on space technology has led the development of Ariane and is strongly committed to Hermes.

Mr Frederic d'Allest, director general of the French netional space egancy (CNES), says it is "wishful thinking" to suggest Hotol could be built before about 2010. Not to proceed with Hermes would therefora leeve a big gap in Europe'e opace programme.

Jumping into such e radical programme as Hotol would be too risky, according to Mr d'Allest. "We in France believe in o more evolutionary, conservative epproach."

The French view has found some support elsewhere in Europe. Professor Reimar Luest, the ESA'e director general, says that Hermes will be vital in providing e European vehicle to ferry people and supplies between Earth and Columbus, an orbiting laboratory thet the ESA is due to build in the 1990s.

Industry and government officials in West Germany basically support Hermes, though they are attaching strong conditions (see occompanying story). Mr Ernst Hoegenauer, deputy manager of the space systems division at Messerschmitt Boelkow, Blohm, which is in charge of work on Saenger, sayo: "Hermes is a place for Europeans to do their homework in areas like re-entry technologies, space avionics end new materials. Hermes Is the beginning of everything we are talking about for the next two or three decades."

West Germans demand development work in return for supporting French

BOTH Messerschmitt Boelkow Blohm (MBB) and the Germany Technology Ministry, which together have put up DM 2.5m in funds to support work on Saenger during the last year, see the Saenger/Hotol projects as essential follow-on programmes from the French-led Hermes.

But the Germans are also determined that industry should win e much more technologically important share of Hermes development work than has been the case in previous European aerospace projects.

The German government in October decided to spend DM 32m by taking o 30 per cent stake in the preparatory design phase of Hermes. But Bonn has stopped short of giving the formal go-ahead for participation in the rest of the programme.

The Technology Ministry says Germany will decide to continue with the Hermes programme only if it wins full participation in the technologically demanding parts of Hermes.

MBB, together with Dornier, MAN, AEG Telefunken and the ANT electronics company, has formed a group to negotiata detailed work-sharing arrangements with Aerospatiale, France's overall Hermes project co-ordinator.

Mr Ernst Hoegenauer, the MBB official representing West German industry in discussions over Hermes, lists the key areas for which the Germans would like to have leadership responsibility in the project. These are propulsion, life support systems, fuel cells and communications. The Germans should also be involved in work on new structures and on flight control, he says. "I wouldn't like us to have only peanuts," he edds.

Additionally, Germany is pushing hard for part of the assembly work to be carried out by MBB. Out of the nine Hermes models—seven for development and two for flight—three (two development models and one of the flight models) must be integrated in Germany, Mr Hoegenauer says. "We will have big problems if we don't get agreement," he states.

The Germans have been trying hard to win support from Britain for a joint position on Saenger and Hotol. This line has met some suspicion from Paris that a possible anti-French European space axis is being formed.

The British-German link is clearly reflected in the make-up of two ESA study groups set up to look into advanced air breathing propulsion systems.

The first group links MBB, Rolls-Royce, MTU, BMW and the University of Stuttgart, with the second made up of the French engine companies Snecma and SEP along with Fiat of Italy. Rolls-Royce caused some irritation in France earlier this year when it spurned overtures from Snecma and SEP to work together on advanced air breathing engines.

Both the German Technology Ministry and MBB are backing tha idea of pooling British and German expertise on Hotol and Saenger in a joint three-year study on "advanced systems." Under the auspices of the ESA this study could start next year.

The Germans believe the advantage of Saenger is that it is a more flexible concept than Hotol, while also offering a route to e possible terrestial hypersonic aircraft. Professor Eugen Saenger, the German space pioneer, developed the concept for a rocket aeroplane in 1942. This was intended to reach a top speed of 11,000 miles per hour and would have been the first ever single-stage reusable space launcher. Luckily for the Allies it was never built.

Prof Saenger worked on his project with MBB until he died in 1964. The German government financed the project—which involved more than 1m working hours of research—up to the beginning of the 1970s. The project was restarted in earnest over the last year, given added impetus by the US Challenger space shuttle disaster.

The Germans have already carried out wind tunnel tests on Saenger, involving speeds up to Mach 25 (15,000 mph). The first stage—which MBB says could farm the basis of a future hypersonic airliner—would be the size of a Boeing 747, accelerating to Mach 7 and reaching an altitude of 35 km. It would be powered by six turbo ramjet engines using liquid hydrogen as fuel.

The second stage would be called Horus in its manned version (Hypersonic Orbital Research and Utilisation System) or Cargus for cargo only.

DEC pushes for larger share of UK automation

By Geoffrey Charlish

THE UK arm of Digital Equipment (DEC), US computer manufacturer, is to make o co-operative effort with three other American companies based in Britain to speed its penetration of the manufacturing/automation market.

At present DEC is battling with IBM for dominance of computer supplies to manufacturing industry.

DEC's partners in the venture are General Electric Calma, the computer-aided design specialist, Cincom, which is a software house with good experience in manufacturing resource planning (MRP) and Tektronix, which will offer expertise in computer-aided engineering.

Material change in anti-static protection

CONDUCTIVE CORREX is a new material from UK company Vermason (Letchworth, Hertfordshire). It is an alternative to corrugated conductive board and can provide anti-static protection for electronic components in the electronics industry by immediately conducting static electricity to earth. It will also interest the pharmaceutical, petro-chemical and process industries for normal protective packaging.

Produced in sheet form to a maximum size of 2 metres square, the material is black, 3 mm thick, weighs only 700 grammes per square metre and has good electrical conductivity.

Vermason can provide a complete service to industry which includes custom designing and die cutting.

MINING

Chris Sherwell profiles the backer of an America's Cup contender

Australian sets sail for El Dorado

QUESTION: Which well-known Perth entrepreneur, with interests straddling several sectors and countries, also heads a syndicate behind Australia's defence of the America's Cup?

Answer: Not only Alan Bond. Another such businessman, and in many ways more intriguing, is Kevin Parry. Unlike Mr Bond, who is something of a high-profile, extrovert risk-taker with a keen eye for profit, Mr Parry is a relatively low-key figure with a longer view and a preference for assets growth.

Not that the two men are all that different. Both control and run their business empires in autocratic style, with a powerful belief in themselves and the natural virtues of private enterprise. They share something of a disdain for the politicians they have to deal with, and both have strong backing from numerous banks and broking firms.

Both are also richly illustrative of how opportunities can be parlayed into success in Australia, and especially in the "frontier" state of Western Australia. Anyone wanting to know how businesses are started, structured and built up Down Under could do worse than look at them.

In Mr Parry's case, it has produced a conglomerate with interests in retailing, property, media, communications, resources and high technology. In recent years the balance of importance among these has been changing, and some believe a momentum has now built up which could prove unstoppable.

None, however, has so far produced the same publicity as his chairmanship of the Taskforce '87 syndicate which stands behind the Kookaburras, the two 12-metre yachts which hava been campaigning so successfully against Mr Bond's Australia IV and Australia III to defend the America's Cup next year.

To many, the competition on the water reflects another on shore. True or not, the effect is at least to hone the Australian defence of the cup (whoever conducts it) to competitive perfection and, in Mr Parry's case, underline his reputed ability to select good men for the job and manage them well.

That said, people do find Mr Parry a difficult man to deal with. Initially he seems uncommunicative, irascible and abrupt. Those who know him better say first appearances are misleading.

One of his most revealing comments, echoed by at least ona Melbourne broking firm, is that his group is misunderstood by the market and underrated. To look at profit figures, that might be understandable.

The net profit attributable to shareholders in Parry Corporation for the year to Juna was just A$8.4m (US$5.46m), but it

Mr Kevin Parry: concentrating on Indonesian gold interests

was a record by far. The previous best was in 1983 at A$4.5m and the intervening years saw losses. Group turnover was also a record at A$119m, well up on the 1985 level of A$86m.

These do not seem like figures portraying a major business empire, but Mr Parry says the company's overriding objective hitherto has been to increase asset backing.

Thus, total assets showed a 44 per cent growth to A$291m last year, and on one calculation an investment of A$10,000 in Parry Corporation in 1975 would have exploded to almost A$750,000 by 10 years later.

Now, however, policy is said to be changing, with the aim of boosting earnings. At a recent company meeting, Mr Parry said the group was entering a new phase of growth and he reportedly promised a profit increase of around 50 per cent.

This will taka the group a long way from his father's furniture manufacturing business, started in Perth after the family arrived in Australia from Manchester.

Son Kevin was so keen to join in that he left school at 15 and says be used trips around Australia with the state baseball team to visit manufacturers and find out more about how business was done.

By the time he took over the family business in 1962, it had built up a turnover of A$10,000 (then A$5,000) a week.

The flow of cash was used to build up property interests and, although be does not talk about the errors which make him say it, Mr Parry counts it as a mistake that he had not learned more about real estate in his early days in business.

Sinca then the company bas followed a more or less traditiooal Australian diversification path — into resources in the 1970s, technology and communications in the 1980s.

The company went public in 1974, hut control remains firmly in the hands of Parscel, Mr Parry's own company, which has 54 per cent of Parry Corporation. That is unlikely to change.

The most controversial property deal has heen at Hall's Head, near the coastal town of Mandurah, 50 miles south of Perth. A long-term and eye-catching work and boliday resort development, it attracted controversy when the State Superannuation Board came in on the project in 1982, effectively assuring its future through to the late 1990s.

Significantly, bowever, it is retailing which remains a prime source of cash through which Mr Parry has built everything else. In 1985-86 it generated a turnover of A$47m, on which a loss of A$2.5m is recorded. The previous year saw a similar performance, a sign of weaker economic times in Australia.

The other major casb cow has been control of NBN-3, the only commercial television station in the Newcastle area of New South Wales which has a population of around 800,000—one of the largest provincial centres in the country.

That contributed heavily to the A$26m turnover of Mr Parry's media interests, which also include a stake in a Qneensland television station. But be hit a problem in neighbouring Papua New Guinea this year when the Government, baving originally granted him the licence, decidad not to introduce television at all.

In the related area of high tecbnology developments, the focus is on Underwater Systems Australia (USAL), which is also mejority controlled hy Parry Corporetion and was listed this year.

This is billed as one of the first volume producers of small remote underwater vehicles. Under agreement with a US company, it also hopes to sell larger submarine vehicles, trying no douht to capitalise oo the succass of the Titanic findings.

Most of the excitement at Parry these days, however, is reserved for its resources activity, which is concentrated in oil and gold.

Earlier this year the group's main resources arm, the quoted subsidiary called Pelsart, sold off its patroleum interests, shifting them to Offshore Oil, a company 39 per cent owned hy Parry Corporation.

Pelsart is now concentrating on mineral exploration and development — or more accurately, on gold interests in Indonesia. Mr Parry first visited Indonesia in 1969, liked it and started making contacts — a long process and an essential one in a country of its complexity.

Some fruits of this build-up have come in the form of joint ventures be bas initiated with companies like BP Minerals and Renison Goldfields. But the real rewards are reckoned to lie in the tracts it is exploring in Kalimantan (formerly Borneo) which, so company officials suggest, promise a new El Dorado.

Samples from the Mt Muro region, for example, are said to be showing ore finds of far higher grada than ara seen in Australia.

BUSINESS LAW

Insurance competition in EEC

TODAY the European Court will deliver four judgments on the EEC Commission's complaints that France, Denmark, Germany and Ireland have erected barriers against penetration of their domestic markets by British and Dutch insurers. It will continue to ponder another case, substantially about the same issue, which takes the form of an appeal against the Commission's decision condemning a German insurance cartel.

Though presented in legal language, the issue is political. It is one of the manifestations of the stubborn resistance of the mainland member states – with the exception of the Netherlands – to the liberalisation of financial services. As long as liberalisation of services concerned only the professions, an agreement could be reached, though not easily. When it came to insurance, however, the Council was willing to pass only legislation which, though sounding *communnutaire*, could be interpreted so as to stop UK insurers.

When adopting the Co-insurance Regulation – on which much of today's decisions will turn – the Council went out of its way to state that this regulation intentionally left open the dispute between member states about the meaning of the Van Binsbergen judgment of the European Court (Case 33/74). Did it *allow member states* to *require* insurers from other member states to establish local branches and/or obtain authorisation to do business? The Council dropped this hot potato at the European Court, leaving national requirements that insurers leading a consortium must be established locally, to be appraised on the basis of the EEC Treaty.

I think the Court, invited to fill the legislative vacuum, will side with the Dutch and the British, simply because it would be awful were it not to do so. Protesting in vain against the burden of agricultural subsidies and surpluses, disappointed with Brussels' industrial policy, irritated by the obstacles put in the way of technology transfers by the Court's restrictions on patents and trade markets, the UK's only hope of some compensation is in the area of financial services. It is bad policy to drive your victims to despair, and the members of the Court, who mostly have some sort of political background, know it.

The cases to be decided today (Nos. 220/83, 252/83, 205/84 and 206/85) concern, in the first instance, the level of threshold under which the defendant states do not allow co-insurance by insurers from other member states. As Advocate-General Sir Gordon Slynn argued, such threshold could be fixed only by the Council – but the matter is best left to the market as no one goes to a consortium, with its danger of multiple litigation, unless he has to.

The second restriction on which the Court is expected to pronounce is the German rule prohibiting brokers from helping German residents to place insurance abroad. Hardly a genuine consumer protection measure.

The third restriction concerns the requirement that only an insurer authorised and established in the country where the risk is situated may lead a co-insurance consortium. The high cost of establishment is likely to exclude foreign co-insurers from occasional leadership of local consortia. In Germany this practically excludes premium competition in large fire risks as it makes the foreign leader of a consortium subject to the disputed premium cartel.

This premium cartel is the subject of the appeal case (No 45/85), in which Advocate General Darmon recommended that the Commission's decision, denying clearance of the cartel, should be confirmed.

The Commission held that a recommendation of the association that its members should increase premiums for large fire risks by certain specified percentages (between 10 and 30 per cent) on old policies and submit to approval by a "tariff commission" all new business created a prohibited cartel.

The appeal follows, broadly speaking, two lines of argument: it denies that the competition rules of the EEC Treaty apply to insurance; and should the Court disagree, asserts that the increase of premiums was necessary in 1980 to ensure the solvency of insurers and in this way protect the insured. Any resulting restriction of competition was indispensable in the long-term interest of the economy and consumers; as such it should benefit from an exemption under Art. 85/3.

The argument that competition rules do not apply to insurance is based on Art. 87/2/c which provides that the Council should within three years make regulations "to define, if need be, in the various economic sectors, the extent to which the provisions of articles 85 and 86 are to apply." The Advocate General had no doubt that the absence of such regulations did not affect the direct applicability of the competition rules to insurance, for which no special exception is provided in the Treaty.

One may expect the Court, which recently held that air transport is subject to competition rules, to take the same view of insurance. In that case it will concentrate on the arguments that the recommendation did not infringe the competition rules.

The argument that the recommendation to increase premiums was not mandatory will hardly hold water in view of the decision of German reinsurers to enforce it by treating policies with lower than recommended premiums as cases of underinsurance, reducing automatically their contribution to claim settlements.

Also the argument that it did not "affect trade between member states" can be disposed of by pointing out that the German branches are not really domestic enterprises but only an extended arm of the insurers based in another member state; moreover the Court has repeatedly held that national cartels of this sort affect interstate trade by their very existence.

The real difficulty will be the economic evaluation of the purpose and effect of the recommendation. The German insurers used to keep premiums for large fire risks very low to attract industrial customers from whom they could expect other, more lucrative business. As a result of such competition for customers, the premium income from fire insurance fell between 1973 and 1978 by about 50 per cent and no longer covered the total amount of claims. The fire insurance had to be subsidised by the profits of other insurance business. The disputed recommendation, adopted in 1980, was designed to stop the practice of treating fire insurance as a "loss leader."

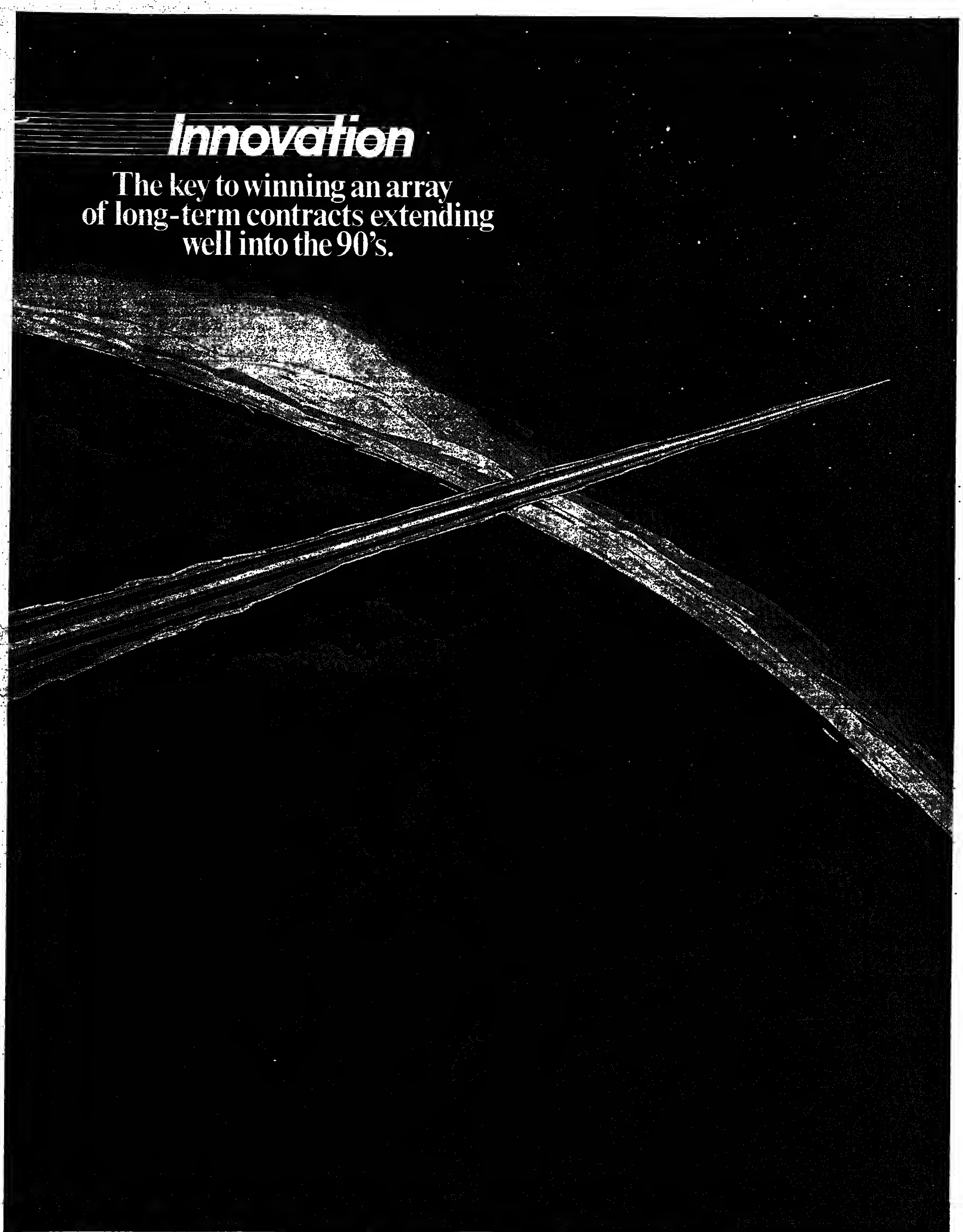
German insurers argue that without establishing a minimum level of premiums, competition could lead to insolvencies and thus ultimately have a disastrous effect on the insured.

A better argument seems to be that this type of "loss leader" competition distorts the distribution of the insurance burden which, ideally, should be proportionate to the risk. The answer to this would probably be that, on balance, the insured enterprises are neither better nor worse off: what they lose on other types of insurance they have already gained on cheaper fire premiums. However, the premium structure becomes in this way confused, and its transparency, if any, is further diminished.

Advocate General Darmon, in confirming the Commission's view that the recommendation does not qualify for exemption under Art. 85/3, approached the problem from a different angle. The premium consists of three parts, he said. One should cover the risk, the second the insurers' overheads, the third his profit. To safeguard the insurers from insolvency it *would have been* enough to relate the percentage increase only to the first two components of the premium. To relate it, as the recommendation did, to the entire premium, created additional profits for insurers who operated at lower costs. It would have been quite sufficient to increase the "net premium" (after exclusion of profit).

This is unlikely to convince the court if it is true that there were no profits and only losses in the period preceding the recommended increase. The Commission's view that the recommendation created a cartel falling under the general prohibition of Art. 85/1 seems likely to be confirmed. The denial of an exemption under Art. 85/3 seems less certain.

A. H. Hermann


Innovation
The key to winning an array of long-term contracts extending well into the 90's.

"La Mediterranee," marble, by Aristide Maillol, and "L'Olympia," by Edouard Manet

Musée d'Orsay, Paris/William Packer

Turn of the century, a la Francaise

The new Musée d'Orsay in Paris, which was inaugurated by President Mitterrand on Monday and will open its doors to the general public on Tuesday next (daily except Mondays), is extraordinary enough as it stands to draw the crowds for some considerable time to come. Certainly the former Gare d'Orsay just across the Seine from the Tuileries Gardens, which was so nearly demolished only 15 years ago, is now rightly cherished as a national monument, newly restored to its pristine *fin de siècle* splendour.

A museum of the fine, decorative and applied arts of the 19th century, once mooted, immediately seems not merely desirable but actually necessary. We are inclined to forget just how recent and how rapid has been the revival of interest in all aspects of the culture of the later 19th century, the shift of taste it has marked and the concomitant adjustment in critical attitudes. The first and lasting significance of the Musée d'Orsay, in both its presence and its timing, lies in the consolidation of these shifts and changes which it represents.

Its overview of its period, which could quite easily have begun with Neo-classicism, the Revolution and Buonaparte, begins instead in mid century with the Romantics and extends into the first decade or so of the 20th century to post-Impressionism and the establishment of the modern movement. To make its case the museum has drawn to itself an astonishing mass of material that includes some 2,300 paintings, 1,500 sculptures, 15,000 photographs, 1,100 examples of furniture and the decorative arts and innumerable drawings, pastels, models and plans besides.

The impressionist collections that lately filled the Jeu de Paume have come over wholesale. Capital works of the mid-century, mos notable perhaps the two great Courbets, *The painter's Studio* and *The Burial at Ornans*, have come from the Louvre and many more from its reserves. Other things of all kinds have come from government collections, from the Palais de Tokyo, Versailles, Fontainebleau, Sèvres, and by private bequest. And the museum has been buying on its own account since 1978.

By its arrangement the museum sets out to do a number of distinct complementary things. The received wisdom had long been that the Impressionists were the great revolutionaries, rejecting the orthodoxies of the acadamy and the Salon to set modern art on its way. Indeed, here in the galleries on the highest level that run along the river frontage of tha museum the mass of work from the Jeu de Paume, rooms of Sisley, Pissarro, Monet, Degas, van Gogh and Cézanne, the achievemant of impressionism is celebrated for itself in the most wonderful manner. And in the galleries that lead off beyond the café bar, in the work of Gauguin, Saurat and the Nabis, Bonnard and Vuillard, the line into Modernism is clearly drawn.

There is enough at this level to persuade the visitor to go no further, should be start so high, but to do so unknowingly would be to miss the most important point. For the sequence of galleries on the lowest level, by which Madame Aulenti leads us up into the body of the museum, immediately establishes a mobe comprehensive view of French art before 1870, with Ingres and Delacroix, Daumier, Millet and the Barbizon painters, Moreau and de Chavannes, and Courbet above them all, to set the context for the *Dejeuner sur l'herbe* and the *Olympia* of Manet, and Degas and the young history painter. The sculpture too is set out here, on the central ramp, to celebrate Carpeaux, the great precursor of Rodin, as the major force he clearly was. History painting, symbolism, realism, naturalism, orientalism, academic sculpture and the painting of the Salon, which the young impressionists sought to patronise, all have their place and moment. And if the curators cannot quite bring themselves to pull out of the cupboard too many of the neglected academics, the wonder of it is that they are there at all.

We must understand, of course, that this is France and that the Musée d'Orsay offers us inevitably a francocentric view of its subject and period. Gestures are made towards foreign developments and achievements, even an influence here and there, but only in so far as they relate to the French. Whistler was a notorious francophile, a friend of Degas, one of the very first artists to respond to the arts of Japan and a pioneer of aestheticism. Here we have only his great painting of his mother of 1871, swamped by the wonderful group portraits of Fantin Latour. Perhaps it really is the only one they have, poor things. Art Nouveau of course is rightly given a generous space, and the contemporary design of Vienna, Glasgow and Chicago is put together in a single small room. A principal suite of galleries off the first floor balcony brings all the international schools of the 80s and 90s together with the Salon painters and the symbolists of the time. There are Boldini, Hellen and Wilson Steer side by side, but no Sargent, a fine Burne Jones but only a Millais portrait to remind us there is nowhere anything of the pre-Raphaelites.

To call the d'Orsay the museum of the arts of France in the later 19th century would disarm the criticism, or we must wait upon the development of the collections by purchase. Even so it has changed our view of its material for good. It must surely find itself from Tuesday next on the principal tourist round of Paris, with its platoons of visitors with ten key works to see in half an hour. For myself I would set aside at least a day as the first of many, and count them all well spent.

Beauty and the Beast/Covent Garden

Clement Crisp

It can be stated with some confidence that Wayne Eagling played every theatrical trick in the book on Tuesday at the first performance of his *Beauty and the Beast*. As with his *Frankenstein*, Covent Garden's stage was put through its paces as stage levels changed, trap-doors produced chairs that revolved, a girl was dropped in from the flies on a property moon, and various trumpery lighting effects and quick changes went their less than merry way.

What we were not to anticipate, though, was that Fate would step in after a quarter of an hour of the stage action. The curtains suddenly closed; house-lights went up to half power, and after a pause fraught with speculation—Had the choreography run out? Had there been a quick petition from the audience asking for an end to things?—Sir John Tooley told us that Anthony Dowell, dancing the Beast, was injured, and that Jonathan Cope, the second cast, was even then donning the fur and tusks of the role and matters would get back to normal with all speed.

It would be the right thing to report that despite this mishap, the evening went on to artistic triumph. I am, alas, not able to do the right thing: *Beauty and the Beast* seems to me to be a creation so doubtful in quality, so gimcrack in choreography and so opportunistic in means, that anything that interrupts its course comes as a blessed relief. The shadow of Cocteau's *La Belle et la Bête* is cast over the action, but nothing of Cocteau's poetry or Bérard's decorative genius is there to rescue the piece from platitude.

An initial disadvantage for me is the sound-track, provided—as with *Frankenstein*—by Mr Vangelis, whose electronic wails and crashes, saccharine tunes and sequences of Ketèlbey-ish religiosity, make Muzak seem positively intellectual. There is obliging but not especially engrossing design by Jan Pienkowski.

Mr Eagling tells his little tale by fits and starts of theatrical trickery, with the occasional irruption of undistinguished choreography. The action is marked by one solid sequence of dancing, a dinner divertissement by four bright male dancers inexplicably given what look like penguin masks designed by Longhi, which leads into a duet for Sun and Moon (Stephen Jefferies and Cynthia Harvey). But this duet is a joke at the expense of classical ballet, of leaden humour and entirely predictable steps, and Maria Almeida as Beauty and Jonathan Cope as Beast fare no better.

My sympathies, indeed, go to Beauty when, after the final transformation of the Beast, she finds herself in the arms of a conventional ballet prince: one expects her to cry "Put back the masks."

Beauty and the Beast is ballet as trickery, dance as stage effects, gimmickry as movement. It is gaudily wrapped, brightly tinselled, artistically sterile: it is juggler's theatre, conjuror's choreography.

Alastair Muir

Anthony Dowell and Maria Almeida

Menotti UK première

The British première of Gian Carlo Menotti's young people's opera *The Boy Who Grew Too Fast* will be at Sadler's Wells as part of a Menotti double bill from December 11-27.

Alcina/Los Angeles Opera

Timothy Pfaff

Reports of Frank Corsaro's production of Handel's *Alcina*, for Opera Stage, suggested that the numinous spaces of Christ Church, Spitalfields were a theatrical asset, even if the important magical scenic transformations were left to the imagination. Los Angeles Music Centre Opera's November revival of that production at the Wiltern Theater, a refurbished Art Deco movie palace in Hollywood, felt, perhaps necessarily, different. Bob Crowley's cluttered, self-consciously arty unit set seemed the more garish in the Wiltern's visually "loud" interior.

The production, rebuilt for a proscenium stage and a larger playing area, made only the usual, expected mistakes of modern Handel stagings. The overture and many of the vocal numbers were occasions for pantomime. Added characters, right for the production but wrong for the opera, took part in—sometimes overwhelming—the action. At many turns, the drama Handel had in mind was concealed by Corsaro's devices meant to elucidate it.

Though their arias were demanding enough, singers had to make subtle dramatic points while bare-chested, decidedly grown-up cupids promenaded. Astolfo, a mute character whom Alcina has wickedly turned into a lion, instead of making a surprising appearance in the final scene (in which he is turned back into Oberto's father), became, in lion's guise, the mascot of all three acts. Typically mistrustful of Handel's sure dramatic sense, the production lapsed into a sequence of diversions, some of them genuinely entertaining but all of them, cumulatively, tiresome.

The other mishap in Los Angeles was that Clifford Bartlett's fine performing edition was abridged. Solely to shorten the evening, three numbers were cut completely, and the B sections and repeated A sections of eight arias were omitted. As ever, those unacceptable practices made the evening feel longer by way of seeming more disjunct.

Gratefully, the musical performance shone through all adversities. The three female leads, carry-overs from the London production, were superb. Arleen Auger was a properly enthralling Alcina, her dramatic singing and musical acting the most truly magical components of the evening. Della Jones, who sometimes struggled with the role of Ruggiero, handed in the single finest piece of Handel singing, a haunting "mi lusinga." Three young singers new to the production, Virginia Sublett (Oberto), Jonathan Mack (Oronte), and Kenneth Cox (Melisso), were nothing short of discoveries—vocally. Good reasons for the revival of many Handel operas.

San Francisco's Philharmonia Baroque Orchestra, an expert original-instrument ensemble whose expressive potential has been fully realised by its new director, Nicholas McGegan, played gloriously for Richard Hickox. To judge by comparison with the new EMI recording, made during the London and Cheltenham runs, the production matured musically. Singing, playing, and conducting seemed more seasoned, in the double sense of being more knowing—and more delectable.

English Touring Opera/Kingston

Max Loppert

This little Midlands-based opera company is on a tour of 11 towns (last date: Northampton next February). Earlier productions have not been unanimously praised—on this page Rodney Milnes gave the 1985 *Cenerentola* a roasting—but the latest offering, *La Bohème*, is a treat. Tuesday's performance, *in the Parish Church, Kingston*, showed its mettle by making the most of inhospitable performing circumstances (the single set, by Marie Jeanne Lecca and Maria Djurcovic, is transformed, speedily and with rare economy of detail, to all the opera's locations). And Graham Vick's production teaches even an old *Bohème* hand something new about the opera.

La Bohème without chorus, and in a reduced orchestration (a brilliantly effective job by Jonathan Dove), is in all senses an "arrangement." The Left Bank festivities are largely removed; the third act opening is a psychological pantomime, not a dawn scene at the Barrière d'Enfer. But the whole enterprise is justified by its veracity of scale and truthful observation of character and milieu. In glossy big-house performances there must always be an element of imbalance between star singers and the student-and-seamstress poverty they are required to assume. Most things were here in balance—the fresh, unmannered style of singing and acting; the small orchestra under Simon Halsey (masterly in surmounting ensemble difficulties caused by distance from the stage); the content and substance of the piece.

The cast is led by two experienced ENO performers. For Patricia O'Neill in the title role the production is worth seeking out wherever it can be found. A less sugary, picture-postcard Mimi it would be hard to imagine; the naive delicacy of response had nothing in it of routine, and everything of accurate, intelligent judgment about the character's background and social outlook (touchingly innocent and untried). Miss O'Neill's colourful soprano doesn't always flow along the phrases, and at climaxes emerges almost too powerful for the small band—the latter impression was also given by Patrick Wheatley's warm-voiced, laconically underplayed Marcello (*the suggestion of his seniority* works very well in this context).

There are splendid accounts, in the same light-pointed, economical vein, of Schaunard and Colline by Tim Yealland and Jonathan Best; and a striking, Empire-Line-and-feathers Musetta (in spite of passing unsteadiness) from Elizabeth Collier. John Oakman's Rodolfo is the problem point: an attractive high tenor awkwardly used, with much face-pulling and *coups de glotte* on high notes, a neurotic stiffness that may be intentional (Rodolfo runs off in angry despair at the close) but is as yet incompletely worked into the production.

Royal Philharmonia/Festival Hall

David Murray

Even in a relatively un[illegible] programme, Kurt Masur [illegible] always welcome [illegible] thought it seemed a waste on Tuesday to have him conducting merely a string of numbers from Prokofiev's *Romeo and Juliet* ballet, and accompanying Kyung-Wha Chung in Beethoven. There was a small bonus at the beginning, the Overture to Beethoven's *Creatures of Prometheus*; the Royal Philharmonic were instantly alert, and it fizzed along, but it doesn't ask for much more than that.

In the same composer's Violin Concerto, there was little to do but admire Miss Chung's silken tone and heartfelt musicianship. Not that Masur left it at that: he supplied a poised orchestral background of faultless tact and sympathy. But the famous Chung intensity always seizes one by the ears, even when—as here—she scales it faithfully to music which is more graceful than impassioned; on the whole give-and-take interplay between soloist and orchestra is not likely to be a prominent feature of a Chung performance.

Her unfailingly beautiful sound was perhaps too evenly rich to bring out the fullest range of character. Sweetly serene in the first movement, [illegible] the finale [illegible] seemed a [illegible] first time of course, no such quibble would have crossed one's mind. Still, though one doesn't ask for frailty (nor, from Miss Chung, is one remotely likely to get it), her straight-ahead progress might profitably allow itself to be deflected by the occasional whim.

The nine *Romeo* excerpts, in strict order of the story, were polished precisely enough—that is to say, within the limits proper to what is after all big-band ballet music. Masur brought up its bold poster-colours sharply and effectively, with the help of much first-rate playing by the RPO (strings particularly keen and fine). In the numbers with heavy percussion and tuba, he contrived to suggest a notable variety of gait. There are, nevertheless, several Prokofiev concert-pieces one would rather have heard him do.

Saleroom/Antony Thorncroft

The carousel continues

This is proving the most remarkable week in the history of the London salerooms. No sooner had Christie's established a record for any Impressionist and modern auction in London with its total of £20m plus on Monday night than Sotheby's doubled it 24 hours later and set a record for any fine art sale.

There is some sleight of hand here since the £40m it achieved—equivalent to its annual world turnover in 1969—was milked from twice as many works of art—106 lots—than Christie's offered. Even so London can now claim to be the equal of New York in this, the most important, and bouyant, area of the art market.

The demand for Impressionist and modern works of art is not indiscriminate. The unsold percentage on Tuesday night was just 2.1 When Sotheby's resumed yesterday with less illustrious items a more normal market surfaced. The sale totalled £5,825,050 with 16.7 per cent unsold.

There, were however, some very good prices, notably the £86,000 paid by a private English collector, still something of a rarity at these auctions, for a view of Collioure in south west France by Henri Martin. It was a record for the artist and just about trebled the pre-sale forecast.

An Italian dealer bought a de Chirico of two horses for £160,500, double the forecast, and a Japanese dealer acquired a portrait of a young girl with a cat by Foujita for £132,000, also double the estimate. An American private buyer secured "La lumière éternelle" by Chagall, a typical scene of lovers in a tree against a red sky, for £121,000 while the same English collector was back paying £110,000 for "La maison de l'été" by Sidaner. It was a record for him at auction.

Easily the most important lot in the sale of letters and manuscripts at Christie's was an album containing nine brown ink illustrations drawn and captioned by Lewis Carroll of scenes not eventually included in the original 1864 manuscript of Alice's Adventures Under Ground. It sold for £187,000, just above expectations. Autograph material about Alice is very rare indeed.

The album was given to Alice Liddell by Carroll (in real life the Oxford mathematics don Charles Dodgson) after the publication of Alice in Wonderland and was subsequently sold by her descendents. For many years it was believed that the drawings were by John Tenniel, the leading illustrator of the day, who Dodgson commissioned to decorate his jeu d'espirit. But in recent years the American dealer Justin C. Schiller has been able to prove that they ara in Dodgson's own hand. He had copied them from Tenniel originals to give to Alice as a Christmas present.

A very rare document which was signed in February 1616 not only by Sir Walter Raleigh but also by his wife and son sold for £3,520, rather below forecast, at Christie's yesterday. It is a receipt for £600 which was raised to help finance the adventurer's last expedition to Guyana. Raleigh was released from the Tower of London to undertake the mission which was a complete fiasco. His son was killed attacking a Spanish fort at St Thome and the failure to bring back riches to his investors sealed Raleigh's own fate. He went back to the Towar, to ba executed in 1618.

Kid Ory centenary concert

One of the pioneers of jazz, the trombone player Kid Ory, was born 100 years ago in New Orleans and to mark his centenary promoter Michael Webber is presenting a concert in London's Purcell Room on Saturday December 6 featuring five trombonists who comprise the trombone band Five-A-Slide.

Leaders Pete Strange and Roy Williams will be joined by Roy Crimmins, Ray Wordsworth and John Beecham to make the five-trombone front line. Backing Five-A-Slide are Keith Nichols (piano and trombone), Pete Skivington (bass) and Johnny Richardson (drums). Tickets from Royal Festival Hall, SE1 8XX.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Exhibitions

November 28-Dec 4

BRUSSELS

Ingres and Delacroix – Drawings and Watercolours – Palais des Beaux Arts. Ends Dec 21.

Chinese Porcelain – the Transitional Period. Musée Royale d'Art et Histoire. Ends Dec 14.

PARIS

Esteve: After important exhibitions in Germany, Switzerland and Scandinavia, Paris in turn honours the abstract French artist born in 1904. The retrospective consists of 118 paintings, 50 watercolours, nearly as many drawings, some collages and tapestries and shows Esteve's development. Influenced at first by Cubism and fascinated by Cezanne, he continues obstinately on his own solitary road until he achieves an equilibrium between a rigorous composition and an explosion of colours. Grand Palais, Closed Tue, Ends Jan 12 (4256 0924).

Francois Boucher: the 86 paintings and 25 drawings of his first major retrospective re-create the pastel-coloured world he peopled with voluptuous goddesses and shepherds. Premier Peintre do Roi, a favourite and friend of Madame de Pompadour. Boucher personified the lighthearted charm and seduction of the Louis XVth Period. His pastoral and mythological scenes reproduced by engravings, tapestries and on Sèvres porcelain spread the influence of French court art all over Europe. Grand Palais, closed Tue, Ends Jan 5th (4289 5410).

Les Prix de Rome: The exhibition consists of paintings which won the much-coveted stay in Rome for the laureats from 1797 to 1863. The uplifting subjects from mythology or the Bible, the noble sentiments, melodramatic gestures and perfect workmanship crowned in the prestigious yearly competition provide a unique panorama of French academic art. Ecole Nationale des Beaux Arts, 11 Quai Malaquais, closed Tue, ends Dec 14. (4230 3457).

Paris Abstrait, 1945-1955: Magnelli's cut-out reminiscent of Braque, a powerful Hartung with his large black strokes against a beige background, Esteve's colourful puzzle and Mathieux's ink-black splotches and smears are glorying in their abstraction. Except for de Stael, whose flowers in dense, dark colours are lit up by orange and mauve. Galerie Natalie Seroussi, 34 rue de Seine. Ends Dec 15. (4256 0924).

Maîtres Impressionistes et Modernes: Pissaro's Woman with Geese, a country scene shimmering in gentle sunlight, a well-structured Boudin, a surprisingly poetical Gauguin, two Picassos and a Bonnard, Marquets, Utrillos and a Gris form a counterpoint to an unusually rich collection of sculptures. The perfection of Maillol's small bronzes rejoices the eye, as do Lobo's harmonious feminine shapes and the large composition by Laurens with Cubist overtones. Daniel Malingue gallery, 26 Ave Matignon (4266 6033). Ends Dec 22.

ITALY

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25-1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

WEST GERMANY

Tübingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

NETHERLANDS

Amsterdam Historical Museum. A collection of 19th-century French drawings and watercolours providing a cross-section of the styles and themes of the period, from the veneration of the Napoleonic legend to exotic Orientalism and the Italian picturesque. Ends Jan 4.

Laren, Singer Museum. Recent graphics by more than 100 Dutch artists. Ends Dec 14.

Amsterdam, Historical Museum. The Taste of the Elite focuses on Amsterdam's rich merchant class and its influence on art and culture as part of the celebration of the 18th century currently taking place in seven Dutch museums. Ends Dec 7.

Rotterdam, Rijksmuseum Land en Volkenkunde. In the Wake of the Liefde presents the intriguing story of cultural relations between Holland and Japan since 1600. Paintings, prints ceramics and furniture highlight the two centuries when the Dutch trading settlement at Deshima was the sole western outpost permitted by the shoguns. Ends Jan 4.

Amsterdam, Van Gogh Museum. Monet in Holland documents the Impressionist's visits to the country at three different stages in his career with 24 canvases painted in Zaandam, Amsterdam and the bulb fields, with related work by French and Dutch contemporaries. Fully illustrated English catalogue. Ends Jan 4.

SPAIN

Madrid: Julio Gonzalez (1876-1942), Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by the Ivam, Valencia's modern art museum. Ends Dec 30. Also Miro sculptures (1893-1983): 100 sculptures and 140 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1930-1970 of which we know little in Spain. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

Barcelona. Amos Cahan Collection. Spanish Art in New York. A total of 78 paintings by 35 Spanish artists of the 1950-1970 period who started two significant movements: Madrid's El Paso and Barcelona's Dau al Set. Among the painters are Tapies, Saura, Sempere, Zobel, Torner, Canogar, Mompo, Cuixart and Guinovart. On loan by Dr Amos Cahan, who has one of the top collections of Spanish contemporary art outside Spain. Caixa de Barcelona, Plaza de Sant Jaume Ciutat 1. Ends Jan 28.

NEW YORK

Metropolitan Museum: 90 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

Bravo Carnegie Hall: While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the venerable venue with original architectural drawings and cut-away models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.

Whitney Museum: A retrospective of 168 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, and landscapes and informal drawings. Ends Jan 4.

WASHINGTON

National Gallery: Henri Matisse: The Early Years in Nice 1916-1930, includes 176 paintings from the artist's life in the south of France, where the light made a permanent difference to his sense of colour. Ends March 29.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

Art Institute: The art of Italian Renaissance armourers, with suits embossed with Greek and Roman deities and fantastic creatures of the artists' imagination, is on display in a special exhibit of French king Henry II's armour borrowed from Hever Castle. Ends Mar 1.

TOKYO

El Greco: 50 oil paintings, part of the Matsukata collection. National Museum of Western Art, Ueno Park, one of Tokyo's few large parks. Several national museums and Tokyo's main concert hall (Tokyo Bunka Kaikan) are in the vicinity. A day's museum-hopping can be pleasantly divided by refreshment at one of the park restaurants. Ends Dec 14. Closed Mons.

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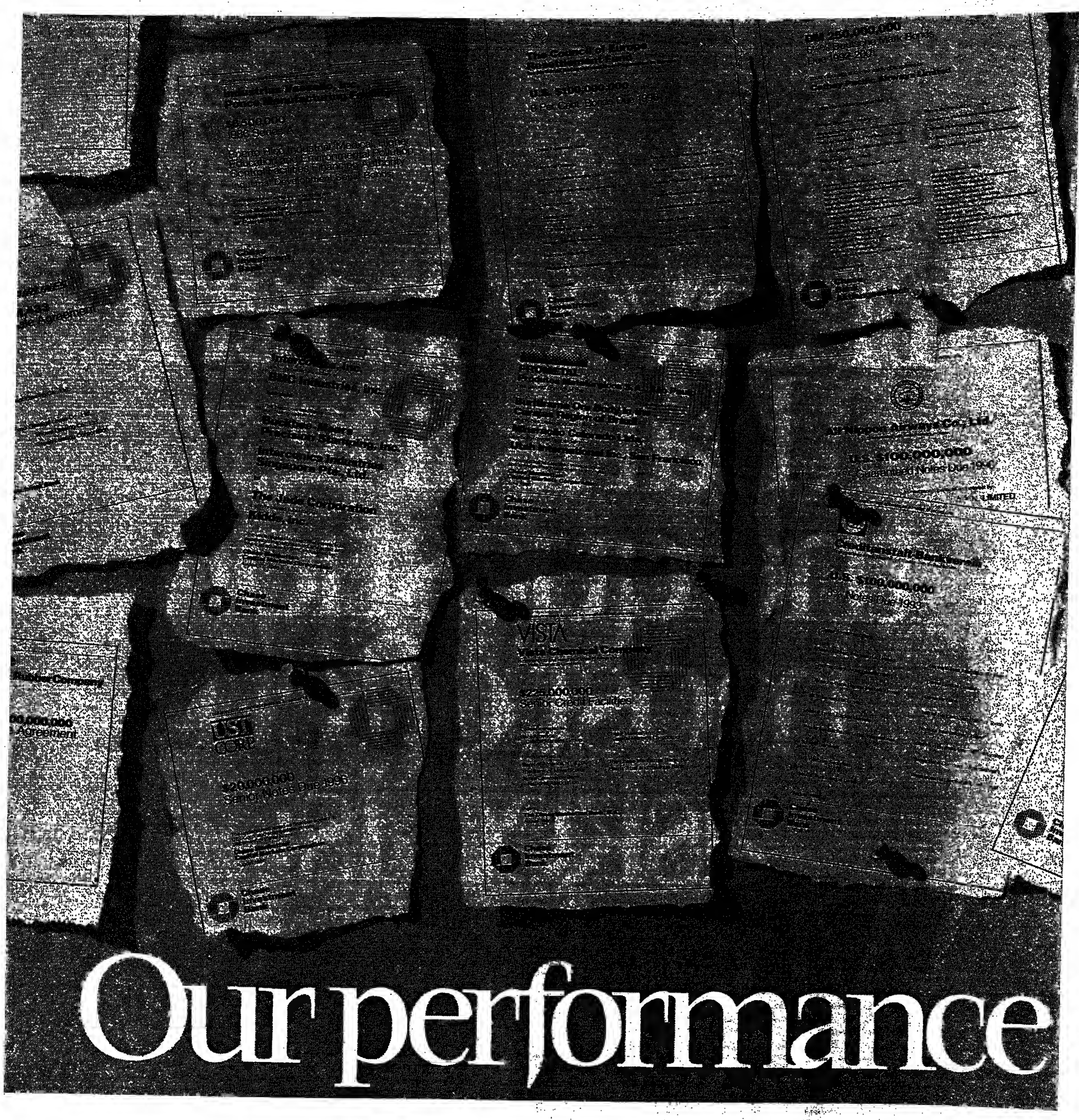

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Thursday December 4 1986

Why Sarney needs the IMF

EARLIER THIS year, the Sarney Government's determination to solve Brazil's economic problems without the assistance or mediation of the International Monetary Fund seemed quite credible. The huge trade surplus generated in 1985 appeared to be sustainable. Real growth was buoyant, the "Cruzado plan" seemed magically to have slain hyperinflation, and there was heady optimism about the scope for social reforms. Brazil, it seemed, was strong enough to negotiate its own terms with its commercial creditors.

Unfortunately, reality has since begun to catch up with Brazil. The trade surplus has all but disappeared. The October surplus was a microscopic $200m, about $1bn less than the country needed. There is gloomy talk of a deficit in November and predictions of overall surplus in 1987 at best of $2bn. At the same time, the anti-inflation strategy's feet of clay now stand fully revealed. The policy of jacking up real wages while freezing prices has had the results any schoolboy economist would have predicted: an unsustainable surge of demand and appalling supply bottlenecks.

Following its election triumph, the Sarney Government has introduced austerity measures that bear more than a passing resemblance to the much-derided IMF approach. It is trying to cut consumer demand by about 4 per cent of GDP and to curb public spending. It is as yet unclear whether the policies will be sufficient to restore the trade surplus and bolster the anti-inflation strategy. It seems certain, however, that Mr Sarney will have to overcome a good deal of scepticism abroad

Inadequate substitute

All this has conspired to put Brazil in a weak bargaining position with its commercial creditors. Its rescheduling agreements on its $107bn of external debt will expire early in 1987. They have to be renewed and Brazil was until recently hoping for much finer margins. The scale of the trade deterioration suggests that Brazil will also need a sizeable injection of new money if it is to avoid further deflation next year.

The notion that the commercial banks will offer attractive rescheduling terms and new money without the security of some form of IMF surveillance seems implausible. Look at the arm-twisting that was necessary in the case of Mexico, even when an IMF package had been agreed. Brazil could, of course, attempt to intimidate the banks by threatening some type of unilateral action—for example, a Peru-style cap on debt service payments. But it would be an extremely risky and probably self-defeating strategy given Brazil's heavy reliance on export markets and the difficulty it would have in trading on a "cash only" basis.

Some quite conservative commentators have suggested that the World Bank might assume the IMF's role as economic chaperone. Closer ties between the development agency and Brazil are certainly desirable: yesterday's meeting between Mr Sarney and Mr Barber Conable, new president of the Bank, was most welcome. But the World Bank neither wants, nor is properly equipped, to stand in for the IMF. It would be absurd for it to set up mechanisms for the short-term monitoring of macroeconomic adjustment policies when these already exist at the fund and when the Bank's expertise lies in a quite different field. Nor is there any evidence that commercial banks would regard the World Bank as an adequate substitute for the IMF.

Political obstacles

The unpopularity of the IMF throughout Latin America is understandable. The Fund has made mistakes. Its programmes have not always laid adequate foundations for lasting growth. It lost credibility in Brazil by thrusting on the previous military government a series of letters of intent containing targets that were virtually impossible to meet. There is something in the criticism that this made a mockery of the ideal of IMF-supervised economic adjustment.

Past failings, however, do not mean that some other institution should be brought in to do the IMF's job. The Fund is a club to which the developing countries belong; it is there to help them when they encounter balance of payments difficulties. A meeting of minds between Brazil and the IMF, whatever the political obstacles, is in everybody's interests.

Human rights and the Law

THE ARGUMENTS in favour of a Bill of Rights in Great Britain have been well aired in the recent past, not least in the House of Lords. Yet the case has, if anything, grown stronger with time; and if the attempt by Sir Edward Gardner, Conservative MP for Fylde, to bring a private bill to incorporate the European Convention on Human Rights into UK law attracts more attention in Parliament, so much the better for that.

Among the arguments advanced by the proponents of a Bill of Rights—who include several eminent judges—is that it would provide a long term framework for UK legislation. Changes resulting from the Government passing from the control of one political party to the hands of another could thus be kept within predictable limits set by the Bill of Rights. It would give courts guidelines for the interpretation of ambiguous statutes; and if it covered the same ground, it would enable English courts to deal with most of the complaints which now go to the European Court of Human Rights in Strasbourg, thereby avoiding considerable political embarrassment.

Firm basis

Yet there are formidable opponents—Mrs Thatcher among them—who regard the whole idea as alien to the British tradition. Their objections usually rest on the fear that a Bill of Rights would curtail the sovereignty of parliament and on the knowledge that, even without a Bill of Rights, the UK enjoys greater protection of human rights than most countries with elaborate constitutional safeguards. Indeed, it could be argued that written constitutions and bills of rights are respected only as long as they are directed at the protection of citizens against sporadic aberrations of bureaucrats. In practice they tend to be swept away as soon as they become really necessary to protect large groups of the populations threatened by revolutionary events or repressive governments.

One of the more vocal opponents is Lord McCluskey, the Scottish judge and former Solicitor General for Scotland, who spoke strongly against the adoption of a Bill of Rights in the fifth of his Reith lectures, delivered last night. He fears that it would turn judges into legislators, on the model of the Supreme Court of the US—and, one could add, on the model of the European Court in Luxembourg.

Concern about the US and the Community model could, however, be addressed by ensuring that the Bill of Rights were not so entrenched as to be outside the power of parliament to change it. A simple incorporation of the European Convention of Human Rights into UK law would in no way abrogate the sovereignty of parliament.

Drafting howlers

Lord McCluskey's opposition to the Bill of Rights is closely linked with his view that the present detailed and pedantic way of drafting statutes leads to certainty of law and enables judges to apply law to the facts by a relatively mechanical process without making any policy decisions. Nothing is further from the truth. The "mathematical precision" of statutes makes them unintelligible. Drafting howlers are difficult to discover before a bill is passed and, once it becomes law, oblige judges to "bend" it or make unfair and impractical decisions that often run counter to the purpose intended by parliament.

A Bill of Rights, which would also lay down the rule that laws have to be applied in a manner corresponding and proportionate to their objectives, would be a great help. There would be no need to continue with obscure legislative drafting, trying to foresee every possible future contingency. If the aim of the legislation was clearly stated, judges could be relied upon to achieve it even in situations which the legislator could not foresee. In short, a Bill of Rights need not turn judges into legislators, but should provide them with both guidance and the necessary freedom to apply the laws as intended by parliament.

THE EEC SUMMIT

The 1984 Fontainebleau summit, a watershed in Britain's relations with the EEC: Mrs Thatcher with Italian Prime Minister Bettino Craxi

Mrs Thatcher finds the middle ground

By Quentin Peel in Brussels

EVEN European heads of government must feel some trepidation when they head for London to attend an EEC summit. The British Prime Minister's reputation for reading the Riot Act to her colleagues is second to none.

Tomorrow, however, Mrs Margaret Thatcher can welcome her fellow leaders to the Queen Elizabeth conference centre, in the shadow of Westminster Abbey, without any such ambition in mind. Pledges to fight terrorism and drug-trafficking, unemployment and barriers to trade, are unlikely to lead to any verbal bloodshed. The subjects on the agenda have been chosen with care to be popular, but distinctly uncontroversial.

Mrs Thatcher's summit is more important not for what it says, but for what it leaves unsaid about Britain's changing relationship with the rest of the Community. The absence of controversy underlines the fact that for once the British government in general, and Mrs Thatcher in particular, are not intent on going it alone.

It also reflects a bit of fast British footwork in keeping the divisive questions — agricultural reform, future financing, and EEC research programmes —well away from any thorough debate by the heads of government.

Britain is no longer the one-man (or one-woman) band it used to be in Europe. Over the past two years, the British government has managed gradually to manoeuvre itself towards the middle ground of European affairs.

One should not exaggerate the extent of it. The UK is not yet a whole-hearted participant in mainstream European politics. Mrs Thatcher is still regarded by pure devotees of the goal of European federalism as the epitome of a little Englander—a reputation she shares with most of the left-wing of the British Labour Party. But the days of outright isolation are over. How did it happen?

First, and most importantly, the character of the European Community has changed: with the entry of Greece, and now Spain and Portugal, it is less cohesive than it was. The debate has changed too: Britain is no longer alone in calling into question the basic tenets of the Common Agricultural Policy, among other sacred cows. Even the European Parliament is doing it.

Second, British attitudes have changed. The European dimension has become a part of national policy-making in Whitehall, and business decision-making, even if it is seldom appreciated further afield. British negotiators have learned (with a vengeance) the art of bargaining Brussels-style.

Third—and perhaps it is an extension of the second—recent months have seen a remarkable exercise in British diplomacy, successfully avoiding those problem areas where the UK might have been left stranded. Where that has proved impossible, the debate has been manoeuvred towards the British position. This has been easiest to do during the past five months of British chairmanship of the EEC, but the exercise has been going on for longer.

The watershed in Britain's relations with its EEC partners must still be seen as the Fontainebleau summit in the summer of 1984, when Mrs Thatcher finally won a budget deal to "get her money back." But a year later in Milan, when Italian Prime Minister, Mr Bettino Craxi, was in the chair, she was still stuck out on a limb (in uncomfortable proximity with Mr Andreas Papandreou of Greece) on the question of whether to reform the founding Treaty of Rome, and limit the power of individual member states to block the gradual process of European integration.

Within weeks of Milan, however, the British government had decided to go along with the reformers' game—and make sure it ended up in an acceptable form. That is exactly what London thinks it has got in the Single European Act, agreed in Luxembourg 12 months ago and due to come into force from January 1.

The Single Act does three things. It is supposed to speed up decision-making by providing for more majority voting, although it leaves loopholes for individual states to plead health or environmental grounds for blocking a decision. It gives more influence to the European Parliament, but stops short of joint decision-making. And it reinforces the political co-operation between member states by setting up a permanent co-ordinating secretariat in Brussels.

The Single Act has been under far greater attack in West Germany, Ireland and even France, than in Britain, for its apparent threat to cherished powers of regional autonomy (the German Länder), national sovereignty (Irish neutrality and French pride). Even if the Irish Dail can finally approve it before the year's end, there must be some doubt that anyone outside Brussels will notice the difference.

Reform of the Treaty of Rome—the constitution of the Community—was seen to be necessary to streamline decision-making now the membership totals 12. The accession of Spain and Portugal has also significantly shifted the balance of power away from the centre (the original Six) and towards the periphery.

That change has brought the UK new allies in two opposite ways. Put bluntly, it means that there are other countries prepared to be just as bloody-minded as Britain to protect their own interests. Others have problems at least as intractable as Britain's net budget contribution. Greece, Portugal and Ireland lag far behind the rest economically; Spain is facing the huge initial trade problems of a new member; and Denmark is determined to maintain its environmental standards above the levels of other member states.

Enlargement has also reinforced the political and economic voice of the Mediterranean states in the EEC—causing the northern members who pay the cash (Britain, West Germany and now significantly France) to gang up on the other side.

As for agriculture, the chickens are finally coming home to roost. Where British sceptics were once almost alone, they have been joined by many more in pointing to the absurdities of a system producing an unsaleable surplus of cereals, butter, beef and wine—and preventing cash being spent in more worthy fields. The actual process of agricultural reform is still hopelessly bogged down — but the need for it is almost universally accepted.

It is not just a case of the Community changing, however. Britain has also moved. When it comes to exploiting the national interest in EEC negotiations, the British are in there with the best of them. In agriculture, for example, for all the preaching about the iniquities of the CAP, the UK has fought tenaciously for a devaluation of its green pound which would negate most of the effect of reform efforts so far.

Mrs Thatcher is also appreciably more enthusiastic about seeking Community support on international issues, especially since such solidarity proved useful at the time of the Falklands war. In spite of some foot-dragging (in particular Greek recalcitrance), EEC action on both Libya and Syria this year has been welcomed in Downing Street.

On South Africa, it has also proved useful for the UK to be able to disguise its own diplomatic embarrassment over sanctions within a Community framework of distinctly modest measures.

Britain has been one of the driving forces for institutionalising this "political co-operation" process in the new Single Act, and including in it some reference to security questions (the part which worries the Irish).

British diplomacy in the EEC since the debacle of the Milan summit has been impressive — not least in keeping the UK out of the firing line, but also in oiling the wheels of the system. The UK made a far more positive contribution to the reform debate on the Treaty than either Germany or France, who were largely tongue-tied for want of clear ideas on what they wanted.

The British were also prime movers in setting up a "rolling action programme" to co-ordinate the activities of consecutive presidencies — first Luxembourg, the Netherlands and the UK, and now Belgium which takes over next year—in pushing through decisions to overcome internal trade barriers.

But above all others, the issue on which the British profess to be good Europeans is the ambitious one of completing the Common Market by 1992, written into the Single Act. There is decidedly less enthusiasm in Whitehall for its counterpart—stepping up the activities of the regional and social funds to help the poorer parts of the Community catch up, which means more cash in the budget.

Several issues might have threatened Britain's new-found equanimity during its Presidency: a prolonged wrangle on the budget; deadlock on plans for more liberal air transport; indifference to the unemployment crisis; refusal to bring sterling into the exchange rate mechanism of the European Monetary System; or a bust-up on agricultural reform.

On the EMS, everyone has agreed it is simply a matter of waiting for Mrs Thatcher to change her mind.

On the budget, the problems for 1986 and 1987 have been solved (barring a final upset in the European Parliament this month) by ignoring a huge overrun until it happens next year. Everyone is so relieved not to be deadlocked that they have acquiesced.

On air fares, the British decided they must abandon their isolation as the only true liberalisers (with a little help from the Dutch) and seek a compromise. They are almost there.

On unemployment, the UK presidency has perhaps been most cunning of all. Fearing pressure from other sides, including the European Commission, for some unacceptable form of concerted action (a major public infrastructure programme, for example), the British produced their own plan which effectively requires very little action at all. It places all the emphasis on deregulation, some encouragement for small businesses (taking place elsewhere), words in favour of training schemes (already under way), and a promise to make long-term unemployment a top priority. The whole thing has successfully monopolised the Employment Ministers' agenda throughout the presidency.

The result of the whole exercise has been a competent but unremarkable British presidency. Europe has caused no serious ripples for Mrs Thatcher in domestic political terms, but nor has the presidency provided great ammunition in the run-up to an election.

The truth is that the British electorate may still respond more positively to an image of Mrs Thatcher "standing up to Europe" than the alternative scenario of finding the middle ground. With the presidency ending on December 31, we may well be back to the former position next year. The budget crisis will be back with a vengeance —and with it discussion must return to the "British problem." Fontainebleau promised a new look at the problem by January 1, 1988.

Mrs Thatcher can then fight her corner as vigorously as any. But she will no longer be as alone as she was. France and Germany are much more sympathetic, and disinclined to pay out large cheques indefinitely. Others like Mr Papandreou have learned Mrs Thatcher's tactics. The ball game is wide open.

Men and Matters

Paine Webber invasion

Crows of delight could be heard from the London branch of the US investment bank Paine Webber yesterday.

The bank has scored a "first" in the hard-pounding merchant banking world by becoming the first US investment bank to act as adviser to a British company in a domestic British deal.

Paine Webber has acted for the board of the opencast coal mining company Derek Crouch which, it was announced yesterday, is being taken over by Ryan International in a £28m bid.

I must hasten to add that the two Paine Webber principals leading for their bank just happen to be Englishmen. Executive director Nicholas Aylwin joined from Hill Samuel, and his colleague Charles Leigh is a former Samuel Montagu man.

"We both can claim to know our way round the City of London, says Aylwin with due modesty, "While most of our competitors from the other London branch of Wall Street banks are New York expatriates with not quite the same feel for this corner of the jungle."

Take note

New light has been thrown on the role of Mark Fowler, chairman of the Federal Communications Commission which regulates telecommunications in the US, in the bitter dispute between the US and West Germany over access to the French public switching equipment market.

Siemens of West Germany and AT & T of the US are locked in combat—and the Americans have not been amused by lobbying by the West German government on Siemens' behalf.

Fowler, in a muscle-flexing exercise, recently wrote to large US phone companies asking for information on what Siemens is up to in the US.

This week, Albert Halprin, a Fowler lieutenant, wrote in a paper for the FT's world telecommunications conference in London that Fowler went by the name of "Madman Mark" when he was a disc jockey in his youth.

Halprin, in a refreshing departure from the legal jargon so beloved of regulators, said Fowler's interest in the West Germans could best be described in the words of the British pop song: "Every step you take, every move you make, I'll be watching you."

Power politics

Oskar Lafontaine, the chubby, anti-nuclear prime minister of the West German state of Saarland, got into hot water at a nuclear energy conference in Cologne.

As head of one of the German states most dependent upon coal-mining, Lafontaine has sturdily resisted the building of a new French nuclear power station just across the border at Cattenom in Lorraine.

But he was ticked off yesterday by Professor Alfred Grosser, the French expert on Franco-German relations. Grosser charged that ex-footballer Lafontaine, by turning down no fewer than three invitations to visit the Cattenom plant, was failing to do his bit for mutual understanding between the two countries.

Lafontaine, who claims that Cattenom is not only ecologically dangerous but also economically unnecessary, has set up what amounts to his own electricity Maginot Line by declaring that Saarland will refuse to buy electricity from the French reactor.

However, real life is not so simple. Officials from Electricité de France at the conference pointed out that Saarland is almost certainly drawing French electricity already. It is being supplied to Germany through a cross-border cable. One official even speculated with amusement that Lafontaine's coffee in his chancellery might be brewed with cheap French nuclear electricity.

"Well, I'll bet the Attorney General would be happy with a draw."

No mistake

Old habits apparently die hard in that bastion of City respectability, N. M. Rothschild. As advisers to the Government on the British Gas issue, the merchant bank was responsible for drafting the application form. But when some of the more socially progressive officials at the Department of Energy suggested that the list of titles for applicants should include the now generally accepted "Ms," Rothschild got very sniffy. Mr, Mrs or Miss, with the added option of "title" for noble applicants were regarded as quite sufficient.

Whitehall, I am told, eventually had to insist on the inclusion of an option giving woman the chance to apply for Gas shares without being forced to reveal their marital status.

But on such great issues, Rothschild does not easily bend. An employee deleted the offending "Ms" while the documents were at the printers.

Flying time

Canadian Pacific Airlines has found a new way of rewarding travellers who are tired of free flights, hotel rooms and car hire discounts offered by most North American carriers to their regular customers.

CPAL now invites anyone who has flown 20,000 miles on the airline to spend an hour in the captain's seat of its Boeing 747 simulator in Vancouver. Instead of being a jaded passenger, one can guide an aircraft through a Pacific storm or try a landing in Hong Kong, with full visual effects.

'We try to give people a feel for the capabilities of the aircraft without overloading them," says CPAL captain George Zuk, who takes the armchair aviators through their paces and poses with them afterwards for souvenir photographs.

So popular is the CPAL toy that there is a lengthy waiting list. But the reward will not be on offer much longer. CPAL has already sold its fleet of real 747s and expects to dispose of the simulator soon.

Fin

"Noah," says the Lord, "for the next flood, I want no animals on board, just fish. And not just any old fish, but carp only, in glass tanks.

"And this time," says the Lord, "think big, think big. Eight decks, at least."

"I got you," says Noah, "what you want is a multi-storey carp ark."

Observer

ECONOMIC VIEWPOINT

The fool's paradise on jobs

By Samuel Brittan

THERE IS a danger that British public discussion on jobs is entering a fool's paradise stage. The fall in unemployment being celebrated by ministers covers so far only three published months: August, September and October. The seasonally adjusted adult figure in October was still slightly higher than a year before. There have been so many false dawns on the jobs front that a longer run of data is required before one can say that unemployment is even probably on a falling trend.

The warning about a fool's paradise does not, however, depend merely or mainly on statistical caution. Even if unemployment continues to fall by 16,000 a month as it has done in the last quarter, strong reservations are still in order. Unemployment is being held back by at least three special factors:

- The growth in numbers covered by special schemes, especially Community Programmes and Job Restart.
- A slowdown in the demographic increase of the labour force.
- An above-trend growth in output reflecting devaluation as well as high consumer spending.

Those of us who have called for emergency action to help the long-term unemployed should not grumble about the principle of special schemes. But many of them are once-for-all in nature. A build-up in the Community Programmes reduces the jobless total only while it is taking place.

The demographic slowdown is more difficult to analyse. It is a childish fallacy to suppose that the increase of the labour force is the main obstacle to lower unemployment. The US, which has had a much better unemployment performance than Western Europe, has had a much larger increase in its workforce.

At the time it happens, a demographic slowdown will enable more of the new jobs to be filled from the ranks of the unemployed. But it is difficult to see how it will reduce the unemployment rate consistent with non-accelerating inflation (our old friend the NAIRU) in the longer run.

Similar observations apply to the present mini-boom, coming slightly too early in the electoral cycle for the Government's good. A period of above trend growth is, by definition, a precondition for making inroads into unemployment. But the current inflationary behaviour of wages provides no confidence for supposing that growth can continue above trend throughout 1987-1990; and we will be lucky to avoid a cyclical or policy-induced slowdown, which may appear superficially due to the balance of payments or sterling, but will basically reflect the inflationary behaviour of the economy at even modestly lower rates of unemployment.

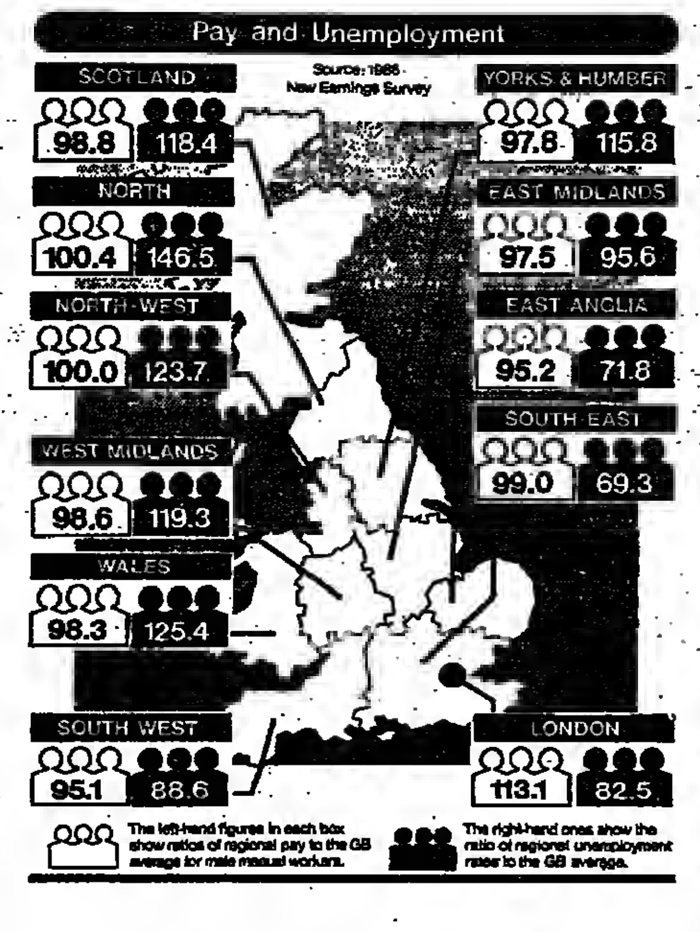
If the recent improvement in unemployment is to be more than a temporary dent, it is all the more important to tackle the structural obstacles to running the economy at a permanently lower level of unemployment. Last week I discussed the "Great Housing Barrier," which all the political pressures conspire to aggravate.

But if politically-inspired market failure in housing makes it difficult for people to move to the jobs, the failure of regional and local pay to reflect adequately disparities in the demand for labour discourages jobs from being created where the potential workers are.

The Household Survey does show considerable regional discrepancies in family income; but they reflect factors such as a greater average number of earners per household much more than they do earnings differentials.

The TUC's indignant reaction when the Chancellor mentioned the subject a month ago was justified, but for the following reasons, which are the direct opposite of those then mentioned by Norman Willis:

- It is only now near the end of its second term of office that the Thatcher Government has begun to think seriously of this blockage in the labour market, having wasted too much time and energy on peripherals;
- The injunction "Physician heal thyself" is in order. Nearly all of the 6.4m public service or nationalised industry workers are covered by collective agreements with only a London allowance. The proportion of all manual workers whose pay is determined by a collective agreement with a national element is 56 per cent, even including the public sector which swells the total.



Unfortunately, the official paper neither probes into the reasons for lack of adequate regional pay differentials, nor tries to estimate what would be the job and other consequences, if differentials were opened out more. There is not even an examination of regional cost of living and housing differentials to ascertain whether or not these might cancel out the distributional effects of more market-related pay. I still look for signs that Whitehall advisers take real economics as seriously as they do macro-economic forecasting. The TUC's Paper is badly flawed, but it is more detailed and it attempts to argue the issues.

Predictably the TUC tries to have it both ways. On the one hand it emphasises that collective agreements set a floor and that there are regional variations. On the other hand it downgrades their importance and that of supply factors in general in favour of a call for more rapid demand expansion, which comes very strangely at the present time, and for regional policy, which to the extent that it works, simulates the effects of greater pay differentials.

The TUC's most effective debating points relate to the obvious disagreements between different Government departments and the scepticism of some officials about market-orientated policies which creeps into documents signed by Ministers. Is any one surprised? And does the TUC seriously expect anyone to believe that there are no labour shortages in the South-East on the basis of aggregate data of known inadequacy?

The case for more regional pay variations does not depend on believing that national collective agreements completely determine pay. It is that they and many other forces—including the way too many employers think—lead to insufficient pay differentials on the ground.

The TUC presents a table showing that over 1980 to 1985 male earnings have risen faster than the national average in areas such as the South-East and more slowly in the North. The effect is much exaggerated by the bad habit of taking percentages of percentages.

The striking feature to me is how small the variations have been. Over the five years national earnings have risen by 54½ per cent, earnings in the North by 49 per cent, in the unemployment-hit West Midlands by 52 per cent and in the whole South-East by 59 per cent.

The TUC table shows that where employment has grown most relative to the national average, relative pay has also grown most. This is surely what one would expect. Even the British wage structure does not display iron-clad rigidity in the face of changing labour market pressures. The real point is that relative pay changes have been far too modest in the face of very large changes in the relative demand for labour in different areas.

The lack of an adequate relationship between unemployment and pay is brought out on the map, which was not provided in the Government's own paper for NEDC. The "London Allowance," or its private sector equivalent, is plainly there, which makes manual pay 13 per cent above the national average. The much larger London differential of 22 per cent for the less unionised female non-manuals suggests the inadequacy of the male manual differential.

But the London Allowance apart, there is still too little relationship between pay and unemployment rates among male manual workers. The unemployment black-spots of the north and north-west have pay at or above the national average. In the West Midlands, Yorkshire, Scotland and Wales, male manual pay is only a shade below it.

The Treasury-Department of Employment Paper to NEDC does not go much beyond "giving the figures," simply emphasising that variations in the structure of employment between regions should have led to higher rather than lower differentials than those observed.

Mr Gavyn Davies of Goldman Sachs has criticised the Chancellor's emphasis on inefficiencies of nationwide pay bargaining:

- Because the system is too ingrained in the UK to be tackled directly.
- The loss of purchasing power induced by lower wages could aggravate the depression of the regions.

The second point is not up to Mr Davies's usual standard. Even if there were a purchasing power effect, it would be the easiest thing in the world to direct any savings in wage payments to regional expenditure quite directly in the case of the public sector, which is the main guilty party, and via the fiscal system for the private sector.

As for "ingrained UK habits," it is time we showed the lack of patience for them displayed in the Australian court room. Mr Davies himself suggests higher employers' National Insurance contributions south-east of a line from the Wash to the Solent, and lower ones to the north and west of that line.

The proposal amounts to a resurrection of the regional employment premium introduced by one Labour Government and dropped by another. This was indeed one of the better regional grants. But the Davies-Richard Layard school errs in supposing that market failure, whether self-generated or policy induced, can always and permanently be offset by a tax here and a subsidy there, without at some stage taking the bull by the horns and tackling the failures at source.

Martin Weitzman-type tax incentives for profit-related pay differ from most incomes policy and regional plans in that they provide an incentive to change the wage system and do not merely try to offset its distortions. Regional premia will themselves be more effective if made conditional on evidence that they are being used to increase employment rather than to support wages at levels inflated by national bargaining.

It is surely time to forget the flat earthers, who deny a link between pay and jobs, and move on to serious business.

Lombard

The richest city on earth

By Michael Prowse

CHAN SAID goodbye to the family's latest British au-pair girl and hurried into the street, worried that he would be late for school. Westerners, he mused, as he strode towards the hover-bus that would whisk him into central Peking, were awful et languages. Diana, for example, was nearly 19 and yet could scarcely pronounce even the simplest Chinese words. Unless she improved, she would never get a serious job, not even in places like London or New York.

The boy was innocently unaware of his good fortune. He lived in a prosperous suburb of what was easily the richest city on earth. Chan's parents were well-to-do. His father managed a space-based engineering company and his mother was a government public relations adviser, helping to organise what was billed as tha even of the century—China's "Great Exhibition." The year was 2050.

How did it all happen? That was the question Chan waa determined to ask his teacher in school today. Why was China so rich and why were bankers always having to reschedule the debts of poor regions like Europe? He had recently been studying 20th century history. So far as he could make out, the United States had been the dominant economic power, at least until the disastrous Reagan presidency. China had been nowhere until tha late 1980s, when certain reforms had put it on an electrifying growth path.

Arriving et school, Chan sat down at his desk and switched on his teacher. The computer sprang into life and asked the boy which subject he would like to study first.

"History," replied Chan decisively. "I want to know why the Chinese economy is so strong and why Europe and the US are so weak."

"A good question, Chan. I wish I could give you a definitive answer. But, as you know from your elementary courses, there ere no certainties in economics, still less in economic history. The primitive conception of economics as a sort of science was abandoned long ago."

"However," the computer cleared its throat, "China's surge to dominance in the past 70 years is not altogether surprising. There are many precedents. Think of Britain's development between 1780 and 1850, or of the US's between 1880 and 1950. Economies—and economic systems—have a natural cycle of growth and decay. Indeed, our own planned exhibition of Chinese engineering and cultural glory may be a bad omen. We may have peaked: many analysts are now pointing to the extraordinary productivity growth of United Black Africa."

"Surely size was the key," volunteered the impatient Chan. "In 1990 we had a vastly larger home market than any other economy. Wa were also, after decades of rigid communism, starved of materiel goods. Market power, hunger for goods coupled with tha natural scientific bent of our people enabled us to reduce even the Japanese economy to an off-shore components factory. We wiped the floor with tha rest of tha world."

"Excellent, Chan," the teacher's electronic face beamed. "But remember that Europe and the US helped bring about their own downfall by extending to us the trade barriers they had foolishly erected against Japan. Aso, don't forget the importance of that little mistake made by Karl Marx.

"He thought that capitalism was a stage that societies must pass through before true communism becomes possible. In fact, the reverse seems to be the case. A really successful market economy depends upon broad acceptance of its discipline. This requires great political maturity—an implicit acceptance both of the equality of human beings and of their individual insignificance. This is best fostered by a period of communism. It is hardly an accident that the Soviet Union is the world's number two economy.

"Europe and the US only toyed with market forces in the 20th century. The system did not really command widespread support: everybody—from politicians to businessmen—was out to subvert it in the name of 'special interests'."

"But in China," interjected Chan excitedly, "the Market really is king."

"Precisely," beamed the computer.

Letters to the Editor

A few pence difference

From the Chairman, Hanson Trust

Sir,—Lord Benson makes some interesting points as reported in your article "A tilt at the shortsighted British institutions" (December 3).

I must, however, take a completely opposite view to him on one point in particular. He, like others, suggests that in some recent takeovers "decisions are made on the basis of a few pence difference between two rival offers with no regard to long-term strategies." Lord Benson's analysis is quite wrong. The whole point is that if there is only a few-pence difference, the decision is clearly not one of price but is determined by the shareholder's view of who will do a better job for them in the future.

Hanson Trust won control of Imperial Group this spring, defeating a rival offer from United Biscuits. The price advantage of the final Hanson Trust offer was, I suppose, a matter of pennies only. The shareholders were under no obligation to accept our offer. They did so overwhelmingly because they could see their long term interests best served under Hanson Trust management. A very clear choice was presented to them by the rival offers and they chose accordingly.

Hanson.
180 Brompton Road, SW3.

Pension schemes and surpluses

From Mr R. Malone.

Sir,—The references to pensions in your paper ere so thick and fast at present that it is difficult to try to jump in and comment upon soma of the misconceptions that seem to ma to be in evidence. May I, however, refer to just three of the points recently raised.

In your leeding article "Myopie about retirement" (November 24) you say that state pensions offer maximum security in an uncertain world. Really? In what sense are state pensions completely secure when, unlike private pensions, the promises are unfunded and and are entirely dependent upon the willingness or otherwise of future generations of voters and politicians to meet them? After all, in the very same article you describe how state pensions are in the course of being severely pruned back from previously-promised levels at this very moment.

Mr Greenfield's main case (November 24) appears to be that even to talk about surpluses is "totally immorel" if pension entitlements do not keep their purchasing power. Company schemes, however, have a good record of providing their members with their promised entitlements. The question is whether it is wise corporate practice for current surpluses, certainly temporary in nature and often fortuitous in origin, to lure companies into making further long-term commitments which they may well end up having to back away from when circumstances change.

Professor Hannah's latter (November 22) of course essentially supports my second point by highlighting the discussion on surpluses as a corporate decision. Could it be, however, that he has not quite picked up Eric Short's earlier point about the two concepts of viewing pensions as deferred pay or as a corporate assat/liability? Personally, I wonder whether we shall hear so much about the deferred pay concept from trade unions in the future as the ultimate logic of this view would lead inexorably away from the final-pay schemes favoured by the unions to the money purchase or defined contribution approach. In such schemes "surplusas" do not really arise, of course, but at least there can be no argument about who benefits (or suffers) from the investment experience of the scheme.

There is much interest arising in the concept of designing schemes so as to marry together the twin approaches of final-pay and money purchase under one overall group company scheme. Apart from simplifying the choices facing employees in 1988, in such schemes e nice balance emerges between the corporate needs and objectives on the one hand, and the members' security combined with an interest in the chance of favourable investment returns on the other. Furthermore, pensions mobility is improved.

Richard Malone.
Noble Lowndes Pension.
Norfolk House,
Wellesley Rd, Croydon.

Change in Russia

From the Editor, Soviet Weekly

Sir,—As your editorial of November 20 correctly notes, reforms in running the Soviet economy so far announced are only a first step. We still have many problems — high-tech equipment and machinery take too long to reach the production line, tha quality of products is improving too slowly and little progress has been made in the service sector.

The simpla answar is that if you want to changa the economy, you must first changa people. This is neither an easy nor a smooth process. Red tape, conservatism and dogmatism are the main obstacles. The worst manifestation of this is the desire to return into the conventional rut of levelling. It is hard to wipe out this practice, because levelling permeated Soviet society for decades, of course, socialism aims for everyone to live well, but it also demands that they should work well. Everybody wants the former, but not everybody the latter.

Soviet society's main principle is "from each according to his ability, to each according to his work." Unfortunately, this principle is often violated. But now Soviet workers themselves are demanding that a good worker should earn more than an average worker, and an average worker more than a bad one.

The law on individual enterprise is, as your editorial writer noted, foreshadowed by Lenin's "new economic policy" of tha 1920s. It is designed to encourage private initiative in the service industry. This will rid the state of some of the auperfluous functions it now performs and allow it to focus on more important things.

I can assure you that we have both the will and the means to carry out the reforms which are necessary in our society.

Victor Orlik.
3, Rosery Gardens, SW7.

Payment on time

From Mr D. H. Broome

Sir,—Mr Baber (November 29) was right to point out the managerial shortcomings of smaller firms, and it is also true that the Forum of Small Businesses and similar bodies owe their prominence more to the fact that they are telling the Government what it wants to hear rather than to any pretence that they represent the million plus firms in this category.

It is however clearly the Government's responsibility to see that rights under the law can be exercised by those of us who do write our terms and conditions of trade properly, and who do try and collect their debts.

The first priority is to see that the Courts offer swift justice—justice delayed is justice denied, and anybody who has tried to enforce his rights in debt collection knows full well that months rather than weeks of delay are the rule. Often receiverships overtake the process.

It is not an appeal to the "nanny state" which makes the statutory liability to pay attractive—it is the need to alter drastically the almost universal dishonesty of British business—it does not pay to be honest at present.

I operated in Canada for some years where statutory provision for collection is embodied in law, and it was amazing what a lot of totally unprofitable management time was saved theraby. I should be sorry of course to see some loss of business for the meny factoring and collection agencies which heve grown up in the shadow of this totally unnecessary overhead cost.

Derck H. Broome.
Potters End,
Mears Ashby,
Northampton.

Definitions of leadership

From Mr J. Nicholls

Sir,—Congratulations on your coverage of leadership training (November 24). As you point out, the field is broad and confusing — Bennis and Nanus could have gone well beyond 350 definitions of leadership!

In grappling with the confusion, the distinction made between "tellers" and "doers" may be broadly useful but is not really fair to either side. Most tellers do their best to use case work and role plays to provide practice. Most "doers" use some sort of modal to support their outdoor exercises. Both realise that learning a skill is a long process requiring lots of practice.

As one of the principal "tellers" cited, I would also like to point out that considerable and specific skills are required to successfully be, for instance, a "visionary/enabler." These include, among others; pathfinding skills, communication skills, team development skills, and individual coaching skills. It is not so, as implied in the articla, that tellers refer only to attributes and ignore skills.

Tellers are conscious too that these leadership skills, like any other skills, can only be obtained by practice. This practice can, howevar, be made quicker and more effective by having in mind a clear conceptual model of the behaviour required. This underlies any successful coaching and is the teller's starting point.

John Nicholls.
Old Rectory,
Islip, Northants

Pinned down

From Mr M. Smith

Sir,—Can readers suggest what the Secretary of State for Energy might now do with 6m pins?

Martin B. Smith.
4 Farm Close,
Holcot, Northampton.

FINANCIAL TIMES

Thursday December 4 1986

Steven Butler analyses the strengths and weaknesses of General Ramos

Soldier who nudged Aquino to the right

ONCE A YEAR, on his birthday, General Fidel Ramos, Chief of Staff of the Armed Forces of the Philippines, likes to jump from an aeroplane. This year, when he turned 58 in March, Gen Ramos picked up a case of beer and sailed down to earth beneath a parachute to celebrate the event with other senior officers on the ground.

It is this sort of physical bravado, the willingness to mix with his men, lecturing them on the virtues of respect for civilians after jogging in the early morning, that has helped Gen Ramos earn his reputation as a solider's soldier, a professional military man who favours military allegiance to a civilian President.

After leading a coup against deposed President Ferdinand Marcos last February and having recently gone public with what had been private pressure on Mrs Aquino to revamp her Cabinet, it is remarkable that Gen Ramos manages to retain this reputation.

"The armed forces or any part of it must never be a power-broker," he said last week at a groundbreaking ceremony for the People's Hall of Peace and Freedom, which will commemorate the February revolution that brought Mrs Aquino to power.

Yet, by almost any reckoning, Gen Ramos has become the most powerful man in the Philippines (after the President), an accolade that until November 23 was reserved strictly for Mr Juan Ponce Enrile, the Defence Minister who was dismissed.

Without Gen Ramos's support, some people claim, Mrs Aquino would have lost her power, if not her presidency, in a rumoured military plot to instal Mr Enrile as a powerful Prime Minister in some kind of emergency government.

Instead, Gen Ramos pulled the plug on Mr Enrile, exposing an alleged coup by Mr Enrile's staff, preempting any moves against the Government and at the same time nudging Mrs Aquino gently to the right.

It was the sort of political ploy that has now inspired entertaining speculation about Mr Ramos as the king (or in this case queen) maker, a master tactician who finally stabbed Mr Enrile in the back.

The more likely view, however, and the one shared by those who know the general well, is that he is at best a dull conspirator, a reactor to events, who has been pushed into politics by a desire to preserve the integrity of the armed forces and to make democratic civilian rule a possibility.

He has done this in spite of his support for Mr Enrile's strong anti-Communist sentiments.

This devotion to a professional military is said to stem from Gen Ramos's education at the US Military Academy at West Point, from where he graduated in 1950. It is also traced to his Calvinist work ethic. Gen Ramos is a Protestant Methodist in a nation that is overwhelmingly Roman Catholic.

He saw action in Korea and Vietnam and rose to head the Philippine Constabulary, the military's police arm, in 1972, although this position did not boost his reputation as the Constabulary has been accused of severe human rights abuses.

He lost out in a competition with Gen Fabian Ver when Mr Marcos appointed Gen Ver Chief of Staff in 1981. Gen Ramos assumed the post of acting Chief of Staff when Gen Ver was linked with the assassination of opposition leader, Mr Benigno Aquino, at Manila airport in August 1983.

Gen Ramos's reputation as a clean-living, honest, professional man was strong enough, however for opposition leaders to demand that he be appointed full Chief of Staff. With Mr Marcos still in power, it was a call that probably did not win Gen Ramos much goodwill in the presidential palace.

It had been thought by some that Gen Ramos and Mr Enrile had perfected a good-cop-bad-cop routine aimed at pushing Mrs Aquino to take a tougher line against Communist insurgents. Yet co-operation between the two could only have been limited.

Gen Ramos was already prepared with counter-measures in early October when he assured a visitor that Mr Enrile could never stage a coup, and took the visitor to a control room from where, he said, he could shut down communication among regional commanders.

Since his sacking, Mr Enrile has privately expressed bitterness towards the General and says that Gen Ramos does not understand how deeply divided are the armed forces of the Philippines.

This seems unlikely since few military leaders understand as well as Gen Ramos the damaging effects that corruption and politicisation of the military under Marcos had on its ability to stem the growing insurgency. Diplomats and other observers none the less confirm that the military is deeply split over its backing for the Aquino Government as Mrs Aquino proceeds to work out a deal with Communist insurgents.

The military fears that the Government will give in to left wing demands for a slice of power and will grant amnesty to Communist insurgents for past abuses, while proceeding to punish the military for its violations of human rights.

Gen Ramos, it is thought, enjoys the support of military commanders only so long as he can deliver politically by removing what the military sees as a leftward tilt to the Government.

This role is likely to become increasingly difficult to perform as a ceasefire between the Government and Communist insurgents goes into effect on December 10 for 60 days. Gen Ramos has pledged to support the Government's peace efforts.

"There is only one armed forces of the Philippines and it must remain united, capable and credible in the service of God, country and people," Gen Ramos said on Friday.

The military now is neither united, capable nor credible and Gen Ramos knows it but if the Government manages to hold together the political centre, Gen Ramos may be the best man to pull the armed forces into shape, precisely because few people believe that he has any overriding political ambitions or is capable of acting on them.

The same thing, ironically enough, can be said about Mrs Aquino, who with the clear backing of Gen Ramos now appears, at least, to have a firm grasp on the highest political power in the Philippines. In any case, she has little choice but to trust and rely on Gen Ramos.

Gen Fidel Ramos

PRESIDENT Corazon Aquino of the Philippines has accepted the resignation of her controversial Local Government Minister, Mr Aquilino Pinentel, but retained him in her Cabinet as adviser for national affairs, writes Richard Gourlay in Manila.

Mr Pinentel immediately accused Mr Fidel Ramos, the armed forces chief of staff and Mr Juan Ponce Enrile, the former Defence Minister, of being behind his removal.

Mr Pinentel's accusation is the first public suggestion by a senior official that Mrs Aquino was forced into the current round of Cabinet changes by the military.

On November 23, Mrs Aquino asked all 25 Cabinet ministers to submit their resignations following reports of a military plot against her Government.

She immediately relieved Mr Enrile of his post. His close aides were implicated in the alleged plot that the Government says Gen Ramos foiled on November 22 and 23.

Elements of the military are angry at some of Mr Pinentel's appointments of temporary local officials to act as officers in charge until local elections next year.

Reliance lifts stake in UK bank group

BY WILLIAM HALL IN NEW YORK AND DAVID LASCELLES IN LONDON

MR SAUL STEINBERG'S Reliance Group has increased its stake in Mercury International Group to 15.1 per cent, and has emphasised its dissatisfaction with the management of the UK investment banking group.

Reliance indicated yesterday that it had made several suggestions to Mr David Scholey, Mercury's chairman, on ways to maximize shareholder value, including plans for a joint leveraged buy-out fund in the UK, and a capital-raising exercise in the US.

Mr Lowell C. Freiberg, Reliance's chief financial officer, yesterday characterised Mercury's response to these suggestions as "very negative". Mr Howard Steinberg, a senior vice president, said that there had been "no explanation as to why Reliance's suggestions were not being implemented."

Both men refused to disclose Reliance's next step but would not rule out the possibility that Reliance would make a bid for Mercury or try to seek board representation.

The move above 15 per cent by Mr Steinberg, one of the US' best-known corporate raiders, means that he is now deemed under UK banking law to have a "controlling" interest in Mercury. A Bank of England spokesman would not comment on the situation last night. However, the Bank is watching developments closely and will be seeking to impress on Mr Steinberg his responsibilities as a major shareholder.

The Bank will have no statutory power to prevent the Reliance Group increasing its stake further until the new Banking Bill currently going through Parliament is enacted. This will require anyone seeking to buy more than 15 per cent of a UK bank to obtain prior approval from the Bank of England.

Despite Mr Steinberg's purchases, Mercury's shares fell 15p to 398p on the London Stock Exchange yesterday. Mercury has always said it does not want a dominant shareholder.

Mr Freiberg said that Reliance had the highest regard for Mercury's management bnt felt that Mercury's shares were undervalued and criticised Mercury's management for failing to act on Reliance's various "strategic proposals."

These were:

- Mercury should fully disclose its earnings and the hidden reserves of its S. G. Warburg merchant banking subsidiary and begin reporting its profits on a quarterly basis.
- Mercury and Reliance should form a £100m ($143m) leveraged buy-out fund in the UK which would be modelled on Reliance's own US LBO fund which has done "extremely well."
- A convertible share offering in the US which would be accompanied by a US "roadshow" where Mercury's senior executives would explain their strategies to US investors and thereby increase US investor interest in Mercury.

BCal places £700m order for McDonnell Douglas airliner

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

BRITISH Caledonian Airways, the independent airline, has become the launch customer for the new long-range McDonnell Douglas MD-11 three-engined jet airliner, with an order for nine aircraft worth about £700m ($1bn).

This deal, announced in London and Long Beach, California, yesterday, is expected to be followed swiftly by further MD-11 orders. Possible buyers include American Airlines, Federal Express (also US), Swissair, Scandinavian Airlines System and Finnair.

McDonnell Douglas, which has said it wants launch orders for 20 aircraft, is expected to commit the MD-11 to full-scale development and production by the end of this year.

The deal is BCal's biggest-ever aircraft order. The MD-11s will replace its existing nine DC-10-30 long-range jets, used on routes to the US, and the Middle and Far East.

The order will stimulate a major competition from financing institutions interested in providing cash for the aircraft, which BCal is buying, not leasing.

It will also result in a battle among the three leading engine companies, Rolls-Royce, General Electric (US) and Pratt & Whitney, to provide the £200m worth of engines for the aircraft.

The BCal order is also expected to expedite a decision from the European Airbus Industrie consortium on tha full-scale development and production of the rival four-engined A-340 long-range jet airliner.

BCal had studied the A-340 as well as the MD-11, but said it had ordered the latter because it had a better range and payload performance.

BCal chairman Sir Adam Thomson said "the MD-11 proposals and our own analyses have proved that this aircraft will be ideal, in terms of capacity, cost efficiency and passenger appeal for the continuing development of BCal's long-haul services in the 1990s and beyond."

BCal will take delivery of three MD-11s in 1990, two in the spring of 1991, and two more in the spring periods of both 1992 and 1993.

In BCal service, the MD-11 will carry up to 280 seats, although capable of carrying up to 405, and will be capable of flying non-stop for over 7,000 nautical miles, or 1,500 miles further than the DC-10-30s it will replace.

This will make it possible to fly Hong Kong to London and Tokyo to London, non-stop.

Engine battle looms, Page 5

Fiat to build parts factory in US

BY ALAN FRIEDMAN IN MILAN

FIAT, the Italian industrial and automotiv group, yesterday said that its Teksid metallurgical products subsidiary is to build a factory in the US to supply the Oldsmobile division of General Motors with aluminium cylinder heads.

Teksid will take 80 per cent control of the venture with the Ohio-based Avondale group and expects that by the second half of 1987 the factory will be manufacturing 1,200 cylinder heads a day.

The initial investment will be L21bn ($15.3m) for the factory in Tennessee. Teksid, which last year made a L1.3bn profit on turnover of L860bn, already has factories in Italy and Brazil.

Teksid has been supplying US car makers since a 1979 contract to provide 20 per cent of Ford Motor's cylinder head needs. A year later it signed a deal to produce cylinder heads for Chrysler.

The US venture, although aimed at meeting orders for Oldsmobile, is designed to increase Teksid's American presence. Next year, according to Fiat, Teksid's cylinder head manufacturing business will be worth L200bn.

Teksid employs 10,000 people. Its other US contracts include the supply of metal hinges for Chrysler cars.

Bonn acts on pollution

Continued from Page 1

spokesman said. The new guidelines would focus above all on ways of avoiding accidents such as the Sandoz fire.

The industry points out, however, that Germany's environmental regulations already include around 2,000 separate laws.

The association was underlining last night that Mr Wallmann's new measures were being taken seriously. But there are doubts about how much real effect they will have on West German chemical groups' environmental precautions, which are relatively stringent.

World Weather

		°C	°F
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Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Deutsche Bank deal

Continued from Page 1

North America, and raised the prospect of an acquisition in France.

He also revealed that Deutsche Bank planned to buy up the last 25 per cent of Eurasbank, its Asian operation next year. Eurasbank has returned to profit this year, Mr Herrhausen said.

William Hall adds from New York: BAI is the latest of a string of prize assets to be sold by BankAmerica. The troubled West Coast banking group will receive $603m from the deal which will result in a gain of more than $250m pre-tax in its final quarter. This will go some way towards offsetting the $600m net loss in the first nine months of 1986.

However, while the sale will provide a short-term profit, Wall Street analysts are concerned that BankAmerica is running out of valuable assets to sell in its efforts to cover its heavy losses and bolster its weak capital ratios. The shares slipped by $⅛ to $14⅝ in early trading yesterday. First Interstate Bancorporation, which has offered to buy the company for $22 a share, is known to be concerned that the asset sales are making it a less attractive takeover candidate.

FRN prices plunge

Continued from Page 1

reduce the minimum dealing size from $3m to $1m and to widen the maximum spread between bid and offered prices from 0.1 percentage points to 0.25. The measures were designed to restore liquidity to the market.

In the early afternoon this seemed to have little effect at first in restoring dealers' confidence. But by the end of the day both bid and offer prices were being quoted, at least among the major players.

The growing disillusionment with perpetual FRNs is due to increasing competition from rival instruments which offer an attractive yield and do not have the uncertainty caused by the absence of a final maturity date.

Bush calls for full disclosure

Continued from Page 1

Political analysts, noting Mr Bush's admission that errors had been made by the Reagan Administration, said that Mr Reagan himself should have delivered the speech a week ago to defuse the controversy.

The President's announcement on Tuesday that he backed the appointment of an independent counsel to investigate the arms sales drew support from Republicans yesterday, but some questioned whether the steps were enough.

Mr Bob Michel, the Republican leader of the House of Representatives, called for the resignation of Mr Regan, supporting earlier demands by the influential Republican senator from Indiana, Mr Richard Lugar.

The Senate Intelligence Committee, meanwhile, continued its closed hearings, recalling Vice Admiral John Poindexter, who declined to offer testimony to the committee on Tuesday, saying he needed more time, according to reports in Washington.

Lt Col North is also seeking immunity from prosecution before offering full disclosure of the facts, according to reports.

THE LEX COLUMN

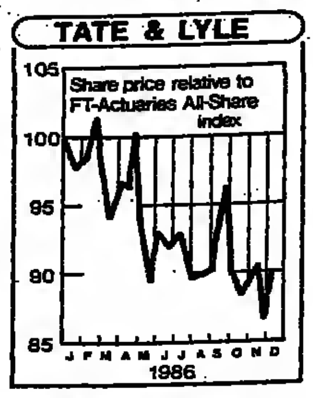
Blue blood on the carpet

Sentimentality and fully priced takeovers seldom mix. But what other interpretation to put on the return of Mr Pickens, to woo that perennially distressed damsel, Diamond Shamrock. Or of Mr Murdoch's return to Australian takeovers, as a citizen of the US?

Merchant banks

Spare a thought for those beleaguered souls in the great houses of Mercury and Morgan Grenfell. It seems that there can be no end to the disasters that the market can dream up for (or wish upon) Morgan. Rumours of litigation arising from the Guinness affair dropped the share price yesterday to a level so miserable – at about 380p, only about two-thirds of the issue price – that Deutsche Bank might reasonably wonder about stepping in to protect its existing investment. Thoughts of protecting his investment in Mercury have stirred Mr Steinberg to go above the 15 per cent mark, amid suggestions as to how Mercury might do more for shareholder value. It cannot be much fun at Morgan just now, but perhaps it is luckier than the scandal-free Mercury in its choice of largest shareholder.

Tate & Lyle



Tate & Lyle's share price has been suffering under the prospect of a huge share issue if it is allowed to bid for S & W Berisford and of something even nastier if Ferruzzi wins the British Sugar battle. After yesterday's 4p fall in the shares to 580p, the prospective multiple is probably only nine, excluding the outcome of the Monopolies Commission deliberations; and the yield close to 6 per cent. Tate's earnings may never be called high quality, but they are not that bad.

The whole of the sugar question might dissolve if Tate were allowed a more sensible cane sugar margin – so that it could compete fairly with beet and keep out the imports of refined sugar – and British Sugar stayed independent. That might also be best for Tate. Much as Tate would like to cut the sugar industry's costs by putting its cane and British Sugar's beet together, integration at current share prices could prove rather too expensive.

Leaving oligopoly aside, Tate's range of not-particularly-related businesses seems by and large to be increasing profits. Spending of £131m in the past year should start making a return. Acquisitions in the US – ranging from sugar to plastics for cars – will chip in. Some more cash should return from Indonesia. UK shipbuilding profits may well fall, though. And development costs on the Sucralose artificial sweetener might be a few million or more perhaps depending on whether a forecast needs to be made in a bid document.

Northern Food

Northern Food's fall from grace has been like Lucifer's: all the more spectacular for having started at such a height. Northern is now not showing much organic growth and keeps tripping over as well. Interim profits up from a restated £34.6m to £37.1m are just not good enough. Bleating about problems at Park Cakes and slow product development in the meat business will not get Northern anywhere. It has to conceded that it can no longer put the cream on the top of profits by simple riding Marks and Spencer's volume growth, because that has slowed to half the old pace.

At least Northern has finally cleared out the US business, which had been unnerving investors for some time. That may leave a bit of a hole in 1987-88 profits – to be filled elsewhere – but it will have been worth it. It also looks right to cut out the US carpet care business, following the supermarket chain and the brewery. Northern has realised that without inflation to help, the way ahead is to make acquisitions. It has had successes as well as failures – the purchase of some Express dairies and the swap with Unigate have been integrated well, while Bowyers seems a much better business under its new management. A question must hang over the Avana stake which is not showing much of a return on its market value.

Once the US deals go through, Northern will have plenty of cash to spend. Even so profits this year may only rise 11 per cent to £75m and not much faster next year. That rate is not enough to regain the old premium rating: at 259p the shares are on a current-year multiple of under 12.

AE

Last-minute asbestos-raking by AE is the most powerful indication how seriously Turner & Newall's paper offer is now taken by the opposition.

Despite a deal of buffing and wheezing about asbestos liability, however, the Turner share price has so far declined to collapse. Unless some monster class action in the US were to be decided against the asbestos manufacturers over the next 24 hours, Turner's offer should sustain its value.

The strongest card that the AE/Hollis side still holds is the statement that the Maxwell holdings of AE shares – now over 29 per cent – will not be sold to Turner.

If Turner can convert a further 7 per cent of intended acceptances into the real thing, it nevertheless proposes to implement its takeover. That would put Mr Maxwell in a real bind: hand over the shares and go back on a public declaration to the contrary, or hold on and be accused of blighting the future of British engineering.

Anyone who has not yet sold in the market – a fraction above the Hollis cash offer – is presumably going to take Turner shares; but since there are not very many such holders left, it must be a very tight thing.

The following are a selection of the General Appointments that appeared yesterday:

Strategic Financial Planning

Ambitious Young Investment Analyst

Opportunity in Investment

Entrée to Eurobonds

Chief Executive Europe

Director of Corporate Banking

Supervisor Investment Administration

Spot Foreign Exchange Dealer

Trainee Stockbroker

Head of Bond Sales

International Marketing

Sterling Money Market Dealer

INTERNATIONAL APPOINTMENTS

Heir apparent at Wang

BY LOUISE KEHOE IN SAN FRANCISCO

THE ELECTION announced lately of Mr Frederick A. Wang as president of Wang Laboratories, the Massachusetts-based manufacturar of office automation equipment, appears to ensure that the 36-year-old Mr Wang will eventually head the company founded by his father, Dr An Wang, 66, who for the time being remains chairman and chief executive.

"All things being equal, my children should be more highly motivated than a nrofessional manager because of their substantial stake in ownership of the company," Dr Wang said in his recently pnblished autobiography.

Mr Wang, in his new nosition, will add responsihility for sales and marketing to his nrevious charges of manufacturing and resaarch and develonment. He remains treasurer of the company. His appointment is seen as an attempt to regain a sense of stability at Wang Laboratories. Over the past 18 months the company has lost several senior executives, including the former company president, Mr John Cummingham, who resigned in July, 1985, after 18 years as the company was poised to report its first ever quarterly loss, of $109m, after a stock write-off of $137m, on sales of $635.2m.

Dr An Wang (left), chairman and chief executive of Wang Laboratories, and Mr Frederick A. Wang, his apparent eventual successor to the top post.

SEC picks New York regional head

THE SECURITIES and Exchange Commission has appointed Ms Kathleen A. Warwick, a former corporate securities counsel for Mobil Corporation, the US oil company, heed of its New York regional office, reports AP-DJ from Washington.

She succeeds Mr Ira L. Sorkin, who resigned his post on September 30, to return to private law practice.

Ms Warwick, who is currently a consultant for Mobil and a lawyer in private practice, is expected to join the SEC staff shortly after the turn of the year. Ms Warwick was Mobil's corporate securities counsel from 1975 until March, 1986. Prior to that, she had been associated with the law firm of Cadwalader, Wickersham and Taft from 1969. Before that she was a member of tha SEC's Naw York regional office staff.

Presidential change at Bell Canada

By Robert Gibbens in Montreal

MR ROBERT J. RICHARDSON is retiring early from his position as president of Bell Canada Enterprises, the eastern Canada telecommunications, equipment, energy and real estate group, to pursue other interests.

His successor is Mr Raymond Cyr, president of the regulated telephone subsidiary, Bell Canada.

Mr Richardson was a vice-president finance at Du Pont, tha diversified US chemicals group, in which Seagram, the Canadian distiller, has a stake of over 22 per cent, when he returned to Canada about five years ago to help tha than Bell Canada diversify out of telecommunications. The company has since acquired effective control of TransCanada Pipelines, tha Canadian gas pipeline-based concern, and has bought a major real estate developer, Daon, basad in Vancouver.

Switch at American Home Products

AMERICAN HOME PRODUCTS Corporation, the US drugs, foods and household products group, has appointed Mr John R. Stafford, 49—its president—to the additional posts of chairman and chief executive. He succeeds, in the new roles, Mr W. Cullingan, 70.

Chairman's role for Union Carbide chief

UNION CARBIDE Corporation has elected Mr Robert D. Kennedy, 54, chairman, and Mr J. Clayton Stephenson, also 54, vice chairman.

Mr Kennedv retains his position as president and chief executive officer, and Mr Stephenson continues as chief financial and administrative officer. Mr Kennedy succeeds Mr Warren M. Anderson, who has retired as chairman on reaching the corporation's mandatory retirement age of 65 after 41 years with the corporation.

* * *

SUN COMPANY, the US domestic integrated oil concern, based in Pennsylvania, has appointed Mr Robert P Hauptfuhrer president and chief operating officer, with effect from January 1, reports AP-DJ from Radnor.

Mr Hauptfuhrer, 55, moves from being vice president exploration and production to succeed Mr Robert McClements, Jr, 58, who is to be chairman—on the turn of the year—taking over from Mr Theodore A. Burtis, 64, who is to retire from the post. Mr McClements will continue as chief executive.

Mr Hauptfuhrer joins Sun's boar don January 1, while Mr Burtis is to remain on the board.

RJR Nabisco elects new finance chief

MR EDWARD J. ROBINSON, 46, has been elected senior vice president, finance, and chief financial officer of RJR Nabisco, the international consumer products concern with headquarters in North Carolina.

Mr Robinson takes over in the new post from Mr Gwain H. Gillespie, 55, executive vice president, finance and administration, and chief financial officer. Mr Gillespie has resigned from RJR Nabisco and the board of directors to pursue other opportunities. Mr Robinson moves from Nabisco Brands, part of the group, where he had been senior vice president, finance, and chief financial officer.

* * *

MR JOSEPH HARDIMAN, managing director and chief operating officer of Alex. Brown and Sons, has been elected chairman of the National Association of Securities Dealers (NASD) board of governors for 1987, reports Reuter

Accountancy Appointments

Accountancy Appointments

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Candidates will be qualified accountants with international banking experience at a senior level; the preferred age range is 35 to 45. Proven management skills are essential and previous experience of the Middle East would be advantageous.

The remuneration package is highly attractive and, in addition to the basic salary, there is a terminal bonus, free accommodation, first class return air fares, 45 days leave per annum, generous local allowances and medical cover.

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Interested applicants should write to Geoffrey Rutland ACA, ATII, Executive Division, enclosing a comprehensive C.V. and daytime telephone number, quoting reference 373 at 39-41 Parker Street, London WC2B 5LH.

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For more information, please contact George Ormrod B.A. (Oxon) or Stephen Hackett B.A. (Oxon) on 01-836 9501 or write with your C.V. to Douglas Llambias Associates Limited at our London office quoting reference number 7294.

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Rural Yorkshire
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Our client, an expanding food processing subsidiary of a major group with a turnover approaching £50 million, now wishes to strengthen its senior management team through the appointment of a financial controller. Reporting directly to the managing director, the successful candidate will be expected to make a major contribution towards improving the company's trading performance and to show commercial flair in the continuing development of the business.

Responsibilities will include managing a team engaged in both financial and management accounting activities, providing and interpreting relevant and timely management information and reviewing and enhancing where appropriate the company's computer systems.

Candidates should be qualified accountants with sound technical and commercial ability and should have gained relevant experience in the manufacturing or food processing industries. The successful applicant will be self-motivated, with the ability to become an active member of the management team.

The company is situated in a very attractive part of Yorkshire and the remuneration package, which will be negotiable, will include a car and other benefits including relocation expenses where applicable.

Candidates should write enclosing a full cv to:
Alan Wittrick
Executive Selection Division
Price Waterhouse
Management Consultants
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Price Waterhouse

Financial Analyst

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Because the role embraces involvement in management decision making the most appropriate candidates will have already gained commercial experience within the larger company environment; a graduate, qualified accountant is essential and an MBA or similar business degree would be very relevant.

The Group as a whole is seeking to raise the already high calibre of its recruits to ensure future success in home and international markets.

For this particular opportunity candidates under 35 would be preferred, although there is an element of flexibility.

Please send full career and personal details to John Overton FCA MECI, at Overton Management Selection, 3 Berkeley Square, London W1X 5HG, or telephone 01-408 1401 for an application form, quoting reference 10/1173/FT.

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Candidates, aged 27-35, must be qualified graduate accountants or MBAs with a background in financial planning and analysis and a track record of multidiscipline cost savings gained in an fmcg environment. Excellent communication and influencing skills and a diplomatic yet strong and challenging personality will be vital.

Career progression in mainstream accounting or into line management is excellent within the group. The salary is negotiable and a good range of benefits, including relocation assistance if needed, is provided.

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Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2731 to B. G. Levy, Executive Selection Division.

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Candidates under the age of 32 are unlikely to be sufficiently experienced to perform effectively as an expatriate in this demanding environment. An ability to demonstrate a successful management career in a multi-national and multi-lingual environment would be advantageous. If you are achievement orientated, please forward in confidence your CV, details of present salary package and daytime telephone number to Peter T. Willingham, reference LM32 at Spicer and Pegler Associates, Executive Selection, International Division, Friary Court, 65 Crutched Friars, London EC3N 2NP. No details will be released to our client without your prior permission.

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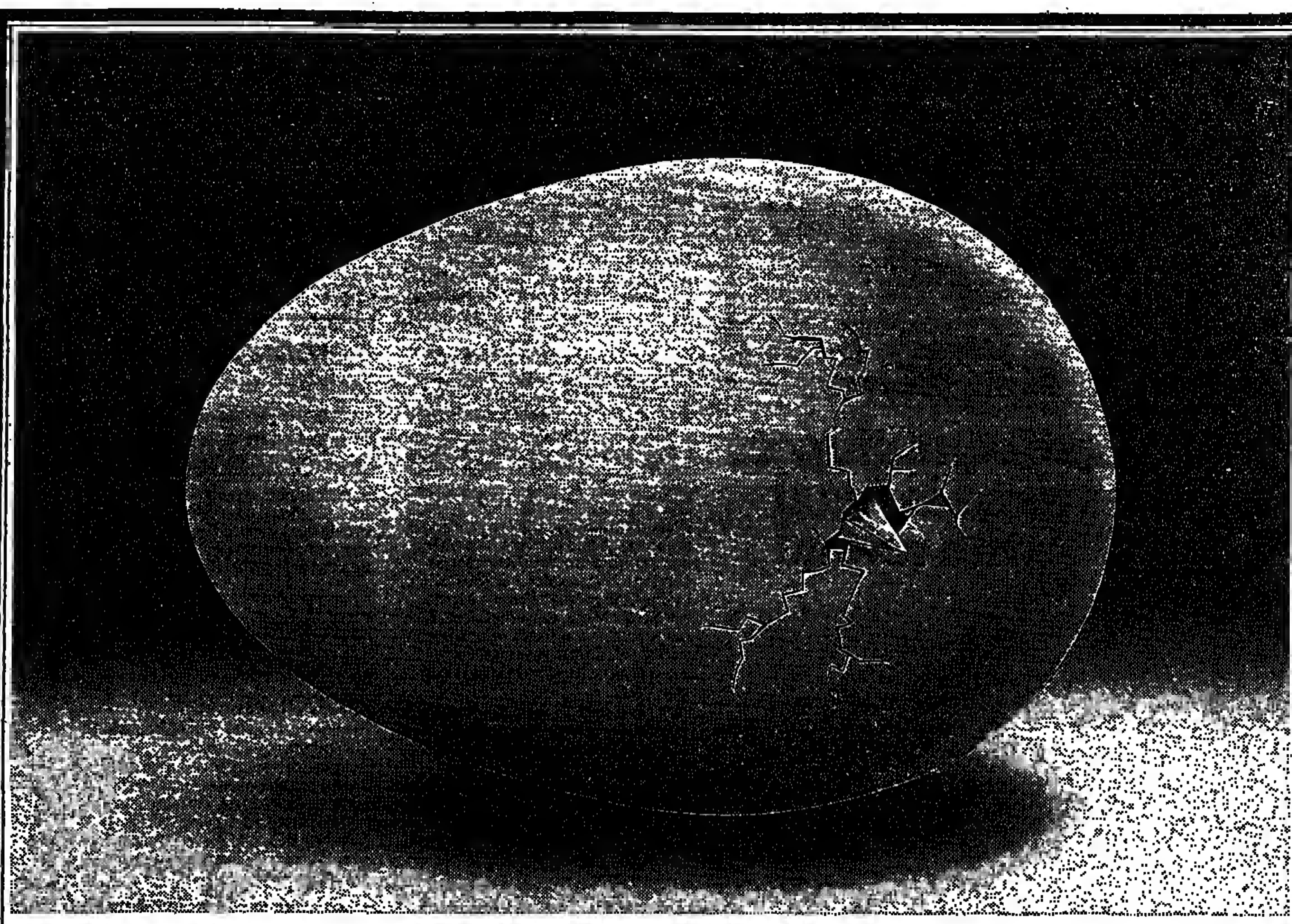

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The postholder should be capable of progressing to Board level in the short term.

Further career prospects are good.

Apply in writing to:
The Managing Director
THE LIGHTFOOT REFRIGERATION CO LTD
Stonefield Way, South Ruislip
Middlesex HA4 0QA

Finance Director
Financial Services Group
c.£37,500 + substantial benefits
Based Bristol

This is an opportunity for a young qualified accountant to join the top team of an expanding established financial services plc.

Your prime responsibilities will be: achievement of profit goals by the strategic and day-to-day management of financial resources; ensuring that the full range of management controls and financial reports, both statutory and company, are in operation; production of statutory accounts; managing the company's relationships with its bankers.

Ideally in your early 30's it is essential that you have around 5 years' post qualified experience, operated in more than one culture, have commercial experience and possess well developed man management skills.

This is not an 'ivory tower' position and to be considered you will need to be able to demonstrate high achievement levels, hands-on practicality, drive and the ability to inspire subordinates to meet challenging and demanding goals.

The extensive range of executive benefits include car, substantial profit share potential and, if appropriate, generous relocation assistance.

Please write with full personal details to John Woodger, ref. B.44077.

MSL International, 52 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International
Executive Search and Selection

TREASURY MANAGER

Age: Mid 30s — up to £40,000 + car
West London

Our client, a UK multi-national company with a turnover exceeding £3 billions, is seeking to appoint an experienced treasury professional to build up and manage its newly formed Treasury Department and to develop its systems and personnel capabilities and its standing and influence throughout the group. The position reports to the Group Treasurer whose responsibilities include Group Tax affairs and who is seeking to delegate day-to-day running of the Treasury Department to the Treasury Manager.

The successful candidate, probably aged mid 30s, will be a qualified accountant and possibly a member of the Association of Corporate Treasurers. He or she will need to demonstrate both personal maturity and substantial treasury management experience in sizeable international groups, since the Treasury Manager will develop relationships with all levels of management of subsidiary companies and central functions many of whom will not be familiar with treasury techniques. The successful implementation of treasury policies will be due, in no small part, to the Treasury Manager's ability to sell treasury services throughout the group through a well run, professional department.

The Treasury Department is based in West London and an element of UK and overseas travel will be necessary although in the early stages the development of the department will be a priority.

Remuneration will be negotiable up to £40,000 plus a car and other valuable benefits.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2732 to W.L. Tait, Executive Selection Division

Touche Ross
The Business Partners
Hill House, 1 Little New Street, London EC4A 3TR
Telephone: 01-353 8011.

Accountancy Appointments

Where commitment goes hand in hand with reward

The National Freight Consortium is Britain's biggest and most diverse freight transport, storage and distribution company, with substantial property and travel activities and rapidly expanding interests throughout the UK and overseas.

We are also a unique industrial partnership. NFC – which includes such famous companies as Pickfords, BRS and National Carriers – is Europe's largest employee-owned business. Our story has been one of extraordinary growth and continued success... proving that employee ownership and professional management is a powerful combination indeed. Motivation is woven into every fibre of the Group.

At the Bedford Head Office – the hub of a 25,000 employee organisation (two thirds of whom own shares) – we are strengthening our corporate Finance and Audit Departments with young professionals who possess the ambition and the potential to make rapid strides and, quite literally, share in our success. Our aim is to groom talented individuals who will, in the future, take advantage of the scope offered by over 50 operating companies in around 700 locations earning a revenue of over £700 million. In short, the people who will become our Senior Managers of the future. With our record of growth (we're investing in excess of £100m a year right now), those prospects will be sooner rather than later.

Your contribution will be matched by the rewards. In addition to the salaries, our package includes a profit related bonus of up to 30%, an excellent pension scheme, a profit sharing scheme, relocation expenses and, of course, the opportunity to acquire shares in our successful business. It's an opportunity to invest in your own talent...

Finance Manager (Bedford)

c.£25,000 + car + benefits package

An experienced qualified accountant possessing a high level of technical and analytical skills and a good practical knowledge of computerised M.I.S. You must be accustomed to and thrive upon meeting strict deadlines and be a good communicator. Through a staff of twelve you will obtain, review and provide management information in respect of NFC's total UK operations.

Corporate Audit

c.£15,000 + car + benefits package

We're seeking professionally trained men and women who see Audit as a route into line or financial management. Some business experience outside the audit function is desirable. You will be visiting our locations throughout UK, and your office base will be either Bedford or Manchester.

Recently or nearly qualified Accountants

(Bedford) c.£15,000 + benefits package

Two bright, confident young professionals to undertake a range of ad hoc projects often within operating companies. If you have experience of computerised accounting, good reporting skills and the will to succeed, a rapid career route is open to you.

Are you ready to join a unique partnership? If so, please write with full details to: Mrs Anne Yeomans, Senior Personnel Officer, National Freight Consortium, The Merton Centre, 45 St. Peters Street, Bedford MK40 2UB, or telephone her on (0234) 272222.

NFC National Freight Consortium
A Unique Partnership

Creating Quality

Quality is the principle on which our company was founded. Today we create, install and enhance the best software systems for the most demanding clients throughout the UK. And for this reason we only employ the best people. Professionals able to meet the challenges and opportunities of a clearly defined management path.

Our Finance Division closely supports our operations. And the following opportunities, calculated to utilise and develop your skills with us, are very special.

Divisional Accountant – up to £20K

Reporting to the Divisional Controller. In this distinctly hands-on role, you will work closely with the Account Managers where your financial skills and advice will be crucial in forecasting, budgeting, analysing and investigating business building projects. In-depth understanding of business needs will influence such work. Plus the strength of character to push your ideas through to successful conclusion.

Management Accountant – up to £20K

Reporting to the Financial Controller. This is no job for the theoretician. Responsibility for driving the forecasting and budgeting processes of Data Logic, and providing senior management with a comprehensive overview of the Company's progress, is a task for a pro-active professional. You won't be intimidated by this high-profile, demanding position. Your cool analytical approach will enable you to ensure that guidelines are always met. In short, you'll exert considerable influence within the group.

For both positions we're looking for a graduate, qualified ICMA or ACCA and probably 25-30. You must have used spreadsheets and micros. Ideally, you'll have worked in a systems house environment. But you must be an ambitious, self motivating individual to join our team.

We offer salaries in the range up to £20K, with company cars and a full range of high-status benefits. More importantly you can look forward to excellent career prospects in a company which is fast establishing itself as a leading UK systems house.

Get closer to the decisions that count. Apply, with a full c.v., to Lynn White, Data Logic Ltd, Queens House, Greenhill Way, Harrow HA1 1YR. Tel: 01-863 0383.

Data Logic
A Raytheon Company

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laura ashley

Finance Director

Mid Wales — **£Neg + Executive Car**

Twelve months on from its successful flotation, our Client Laura Ashley PLC, continues to expand and is in the midst of an intensive investment programme. They seek a *Finance Director for their Product Division, which is* rsponsible for manufacturing and distributing in the UK, Europe and USA the garments/merchandise that are "key" to the unique brand image of the Company.

The role, reporting to the Divisional Managing Director, encompasses:- * The provision of all statutory and management information * The development of all financial systems * Strategic/corporate planning * Budgetary control/forecasting * Multi-currency cash management * together with operational involvement in re-equipment programmes, stock levels, new factory requirements and distribution policies.

With self accounting plants in the UK, Eire, Holland and the USA plus the problems of sourcing/distributing in many different countries you must be prepared to travel and cope with differing local practices/fiscal regulations within the framework of an international corporate reporting system.

You must be a Qualified Accountant, have a proven track record (preferably in textiles/manufacturing) and possess the communication skills to succeed in a results orientated environment.

Please contact Adrian Wheale ACMA, ACIS, Executive Division at Michael Page Partnership, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

European Internal Audit

Weybridge, Surrey — **£20,000 package**

Norton is a diversified worldwide manufacturer of abrasives and engineering materials serving a broad range of industries. With a turnover in excess of $1100 million this US company has a European operation covering ten countries.

The small audit team is responsible for performing financial, operational and computer audits of Norton subsidiary companies throughout Europe as well as providing assistance to the company's external auditors. Special projects of an 'ad hoc' nature may also be performed.

A staff auditor with at least five years practical audit experience is sought to undertake a post involving very extensive European travel. Applicants must be professionally qualified preferably with a university degree and MBA or equivalent and be fluent in German or French.

Interested candidates should contact Chris Sale on 01-831 2000 or write to him at Michael Page Partnership, 39–41 Parker Street, London WC2B 5LH.

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London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
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CJA RECRUITMENT CONSULTANTS
35 New Broad Street, London EC2M 1NH
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Excellent opportunity to progress to Director level in 2-3 years.

CJRA

FINANCIAL CONTROLLER

CITY OF LONDON — **£20,000–£25,000 + bonus + Car**

SUCCESSFUL AND ESTABLISHED LLOYD'S UNDERWRITERS

Our clients invite applications from graduate Accountants, aged 26-33, with at least 2 years' post-qualification experience in a leading accountancy firm working with insurance/reinsurance clients, or a similar period within the insurance industry. Experience in the development of computer-based statistical systems and the monitoring of reinsurance programmes is highly desirable. This is a new position and the successful candidate will be responsible for monitoring and reporting on underwriting performance of the Agency's Syndicates to control expenses, premium written, reinsurance programmes and assessment of reserves for outstanding claims. He/she will work closely with the Underwriters and senior Agency management and must be highly professional, a good communicator and able to influence management decisions based on the accurate analysis of figures. Initial salary negotiable £20,000-£25,000 + bonus + car, contributory pension, free life assurance, mortgage interest assistance, free PPP. Applications in strict confidenca, under reference FC 18475/FT, will be forwarded unopened to our client unless they are included in a list of companies to which they should not be sent in a covering letter addressed to the Security Manager:-

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH.

Group Secretary/Controller

E. Midlands — **£25-30,000 + car**

Our client is a rapidly growing and highly profitable PLC whose turnover exceeds £40m. Its success is founded on the superb quality of its products, the strength of its management team and the commitment of its personnel.

As a result of continued expansion they require a Group Secretary/Controller to manage the central reporting and company secretarial functions. In addition, areas for further development could include taxation, cash management and acquisition studies.

Applicants may well be Chartered Accountants, in the age range 35-50, who have considerable commercial experience in a Group role. They will offer a broad range of skills including strong technical awareness, good communication and staff management ability.

In addition to a highly competitive remuneration package, our client offers assistance with relocation to this pleasant part of the country.

Please send a detailed c.v. to Terry Lewes, Moxon Dolphin & Kerby Ltd., 178-202 Great Portland Street, London W1N 6JJ, quoting reference: 4448. Please state in a covering letter any Companies to whom your application should not be sent.

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For further information, call:

Louise Hunter
01-248 4864

Jane Liversidge
01-248 5205

Daniel Berry
01-248 4782

Group Chief Accountant

London — c £20,000 + bonus + car

Our client is an expanding group in the ladieswear manufacturing and wholesaling industry.

They seek to recruit a mature accountant with a proven ability in business administration and a high level of computer literacy. Likely to be in the age range 35-45, the successful candidate will take responsibility for the whole finance and administration function.

Applications giving full personal and career details should be submitted quoting reference SHA.854 to David Marks ACA, at Stoy Hayward Associates, Management Consultants, Executive Recruitment Division, 8 Baker Street, London W1M 1DA.

SH **Stoy Hayward Associates**
MANAGEMENT CONSULTANTS
A member of Horwath & Horwath International

FINANCE DIRECTOR

(Designate)

N.W. London — **£25,000-£30,000 + Car**

Our client is a long-established and internationally-recognised group of freight forwarders whose turnover is in excess of £20m. The Group is strongly positioned within its own market area and is continually seeking to expand its operational base both by organic growth and acquisition.

A Finance Director is currently required to be responsible for all aspects of the Group's financial affairs. As a key member of the management team, the Finance Director will be expected to contribute significantly to the operational performance and development of the Group as well as having total responsibility for the finance function and its 25 staff.

Candidates should be Chartered Accountants, preferably in the 35-40 age range, with broad-based accounting and commercial experience as well as having the ability to demonstrate sound financial management. Although not essential, experience within the freight forwarding industry would be an advantage.

Interested applicants should write to Financial Search & Selection enclosing a comprehensive curriculum vitae and quoting Reference 6111.

FINANCIAL SEARCH & SELECTION
Financial Recruitment Consultancy
P.O. Box 8, Cranbrook, Kent TN18 4EN

FINANCIAL CONTROLLER

City — **£30,000 plus car**

Sentinel Life plc, a wholly-owned subsidiary of Aitken Hume International plc seeks a Financial Controllar to become a key member of its Executive Managament Team at its Head Office in EC1. Established in 1904 as a conventional life office Sentinel has been relaunched as a unit-linked company and is now implementing an ambitious 5-year plan. In the light of this expansion, the Company now seeks a Financial Controller who will report directly to the Managing Director, with functional responsibility to the Group Financial Controller. The position carries responsibility for overall financial control, management information, cash flow and treasury matters. The successful candidata will be a quelified accountant having trained with a major U.K. firm of Accountants. Experience of unit-linked life insurance is required. Please write in confidence enclosing a full C.V. to:

The Managing Director,
Sentinel Life plc,
2 Eyre Street Hill,
London, EC1R 5AE.
Tel: 01-278 4488

Accountancy Appointments

Divisional Financial Director

Consumer Goods

Northern Home Counties *c.£33,000 + car & benefits*

This major Division of a successful PLC has a turnover exceeding £50m, and is engaged in manufacturing and distribution. Operating autonomously, its trade names are well known and respected.

The Director, an important member of the Division's senior management team, will work closely with the Chief Executive; there is also complete responsibility for the finance function. A prime task is to improve stock and cash management by systems development and better operational communication with line managers.

Candidates will be widely experienced Qualified Accountants who are technically strong, and who have broad business backgrounds. Experience in a diversified business would be a plus. Above average personal and communication skills are essential.

Please reply to Barry Underwood in strict confidence with details of age, career and salary progression, education and qualifications, quoting reference 1685/FT on both envelope and letter.

Deloitte Haskins+Sells

Management Consultancy Division

P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Appointments Advertising

£41 per single column centimetre and £12 per line

Premium positions will be charged £49 per single column centimetre

For further information, call:

Louise Hunter
01-248 4864

Jane Liversidge
01-248 5205

Daniel Berry
01-248 4782

Financial Planning and Control

West End **to £26,000 + car**

Our client is a major international group with operating subsidiaries in the UK and Europe, Africa, Australia and the United States and turnover of around £400 million. It is a market leader in its field of specialist services and has a consistent record of profitable growth.

Reporting to the Finance Director, you will join a small team at corporate headquarters responsible for financial planning and control. Your role will be to provide an analytical and critical assessment of tha plans and operating performance of the group's subsidiaries. You will have a close working relationship with subsidiary company chairmen and senior executives, who are based in the UK and overseas. You will also be involved in 'ad hoc' projects, both financial and non financial, for members of the Board and in acquisition studies. There will be some overseas travel.

In your mid to late 20s, you will be a qualified accountant or business graduate with proven ability in financial analysis and appraisal and with a thorough appreciation of the corporate planning function. You could still be in the profession or alternatively in consultancy or at the headquarters of a diversified group. The opportunities for career and salary progression are excellent and there are generous fringe benefits.

Please write in confidence to John Cameron, quoting ref. CF725, at 84/86 Grays Inn Road, London WC1X 8AE (telephone: 01-404 5971).

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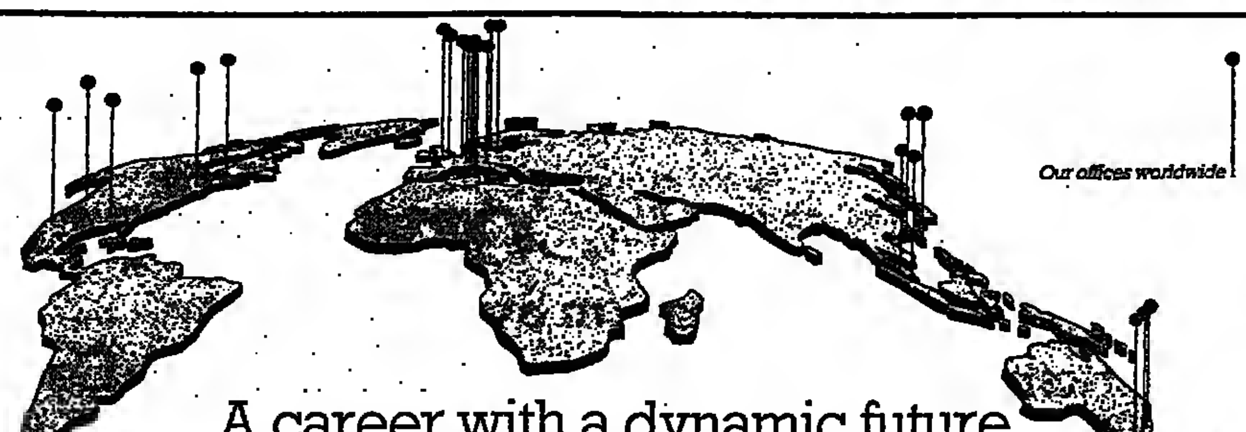

A career with a dynamic future

Accounting Development Manager

Central London **c. £25,000+car**

Exceptional ability and expertise are required for this key central role within the Logica Finance function.

Reporting to the Head of Planning & Development, the principal objective will be to develop and implement procedures and specifications for major new accounting and management information systems throughout this international Group.

You will work closely with the Financial Controllers and Chief Executives of the operating companies to provide improved methods for the efficient and accurate generation of management information within the subsidiaries. This will allow greater local control over profit and asset management.

As well as developing new financial systems and procedures throughout the Group, the **Accounting Development Manager** will ensure the integrity and consistency of locally produced systems. This will involve close liaison with the operating units and the identification and implementation of additional management controls.

Probably aged 30+, you will be an ambitious, degree-qualified ACMA or ACA with a proven track record of successful achievement at a senior level.

In this strongly technology-orientated business, you will also have well developed analysis and communications skills and be expected to make an immediate contribution to the company.

This position is a rare and challenging opportunity to join one of the most successful companies in this exciting business area which offers considerable scope for individual career development.

The competitive salary and total package will reflect the calibre and importance of this appointment. Relocation assistance will be given where appropriate.

Please either ring for an application form or write with full CV to Mary Crowley, Personnel Officer, Logica plc, 64 Newman Street, London W1A 4SE. Telephone 01-637 9111 ext. 2544.

About Logica

Logica is the largest UK based independent computer software company. With an historic growth rate of 30% p.a., current turnover of £87 million and over 2,500 staff, the group is expanding its Finance function both at the centre and in its subsidiaries in order to meet the challenge of further growth in this exciting business sector.

We have a wide base of clients from diverse markets which include:

- *Finance*
- *Post & telecommunications*
- *Broadcasting & media*
- *Defence*
- *Central & local government*
- *Energy & utilities*
- *Space*
- *Manufacturing & retail*
- *Transport*
- *Computing & electronics*

logica

CINEMA INTERNATIONAL CORPORATION

International Tax Manager

West London **c£23,000+Benefits**

A market leader in the entertainment field, with a turnover in excess of £100M, our client is young and dynamic with a forward thinking sophisticated approach to the leisure industry.

As part of their continued expansion they are seeking to appoint an international tax manager within its UK based service organisation.

Assisting the International Tax Director the successful applicant will be involved to varied and challenging international taxwork.

He or she will be a qualified chartered accountant, with a minimum of two years' corporate tax experience gained in a major international firm. In addition he or she will possess good interpersonal skills and will have a strong academic background.

This is an excellent opportunity for an ambitious young tax specialist making their first move into the international tax arena where they will rapidly gain valuable experience and enjoy an attractive remuneration package.

Interested candidates should contact Jayne Thomas on 01-831 2000 (evenings and weekends 01-341 9885) or write to her enclosing a c.v., quoting reference 9003 at the Taxation Division, 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership

International Recruitment Consultants

London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

A member of Addison Consultancy Group PLC

Financial Control

c.£25,000 + car + banking benefits

This is an ideal opportunity for an ambitious qualified accountant to join a major US bank and move into the fast expanding world of international private banking. With offices throughout Europe, an impressive list of high net worth clients, and over 600 staff in the private banking division, our client is already a key player and poised for an exciting period of dynamic growth.

You will report to the Divisional Financial Controller and be responsible for co-ordinating all financial control activities for Europe, the Middle East and Africa including the timely preparation of financial information, results analysis, budgetary control, and the development of accounting policies and procedures.

Liaising closely with your counterparts in London, Zurich and New York, you will be encouraged to take on more responsibility with a view to promotion in the short term.

Aged 27-35, you must have at least two years' post-qualification experience gained in a banking, financial services or audit environment.

Based in the West End, your remuneration will include a negotiable salary around £25,000, car, interest-free season-ticket loan, non-contributory pension scheme, mortgage and personal loan facilities.

To apply, please send a detailed cv, indicating current salary, or telephone for an application form to Barbara Lord, Ref: 1181/BL/FT.

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Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

Ambitious Young Accountant

East Midlands
£20,000 + car + benefits

This major engineering concern produces specialised transportation equipment for UK and overseas markets. The company has a multi million pound turnover and several UK locations.

Recent policy changes have created an exciting opportunity for a young accountant, responsible to the Finance Director for the effective management of the company's liquid assets and the development of in-house treasury services. The role will involve extensive contact with all levels of management, and with bankers, outside professional advisers and financial institutions.

Applicants will probably be qualified accountants or treasurers, but part qualified personnel with treasury management experience should also apply. Knowledge of export finance and of Government and EEC funding, ideally gained in an engineering environment, is desirable. Important personal attributes include enthusiasm, maturity and the inter personal skills to deal with a wide range of contacts. Preferred age 28-35.

This is an interesting career opportunity in a large organisation undergoing significant change. Conditions of service are good and relocation assistance is available. Please write in confidence with career details, age and current salary quoting reference number MCS/2000 to Geoff Firmin,
Executive Selection Division
Price Waterhouse Urwick
Management Consultants
Victoria House
76 Milton Street
Nottingham NG1 3QY

Price Waterhouse Urwick

ASSISTANT MANAGEMENT ACCOUNTANT

£11,750 pa

The Financial Times Newspaper is looking for an Assistant Management Accountant aged between 22 and 27 years. He/she will join a small team of management accountants involved with tha preparation of monthly management accounts, forecasts and budgets and the provision of other management information.

Ideally, you will have worked in an accounting environment and will ba at the part-qualified staga of a formal accounting qualification. You should have had some previous experience of compnters including basic financial modelling. The work will involve assistance with annual accounts preparation and analysis work.

Please apply with full curriculum vitae to:

The Personnel Manager
The Financial Times Ltd
Bracken House
10 Cannon Street, London EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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LONDON RESIDUARY BODY SUPERANNUATION FUND

Regulation And Administration

Manager £18873-£20949 inclusive

The London Residuary Body, which has taken on some of the responsibilities of the Greater London Council, has an internally managed Superannuation Fund with a current market value of some £1.2 billion.

To assist the management team in this key area, the postholder will be responsible for the investment administration, accounting and financial management activities of the Investment Section and will ensure that the Fund complies with the provisions of the Financial Services Act 1986 as appropriate.

She/he should be a fully qualified accountant with practical experience of financial management or possess equivalent experience, in particular the organisation of financial administration including manual and computerised accounting information systems and the practical application of financial control and monitoring requirements.

Further infirmation from the Fund Manager or Deputy Fund Manager (Tel: 01-633 7317 or 6500).

Application form and full job specification from LRB Personnel, PE/A/SD1, Room 319, County Hall, SE1 (Tel: 01-633 1647).

Closing date 16 December 1986

Management Opportunity

Operational Audit

Central Southern England c£23,000 + Co. car

Our client, a multi-national high technology corporation, is a world leader in defence and telecommunication systems.

The corporate audit unit has a wide ranging responsibility to the **Finance Committee of the Board** which is headed by the Chairman of the company to report on the quality and suitability of business control systems.

Successful candidates, who should be qualified accountants, will be working in a very stimulating environment with senior colleagues from a variety of disciplines on a wide range of projects. In addition to at least 2 years' senior auditing experience in the profession or the internal unit of a major corporation candidates should be able to demonstrate successful line management responsibility for a finance department because this appointment is expected to lead to a senior line position in one of the subsidiary companies. Periodic overseas travel is envisaged. A large company benefits package is included and there is an attractive relocation package where appropriate.

In the first instance, contact Bruce Crammond on 01-631 4184 or write to:
A&A Consultants (Holding) Limited,
(Management &
Recruitment Consultants),
County House,
10 Little Portland Street,
London W1N 5DF.

Accountancy Appointments

Senior Financial Appointments In A Multi-National Context.

A highly successful British company with a multi-million pound turn-over and an enviable position in the Times 100, our client is seeking to employ a number of accomplished specialists in Treasury, Project Finance, Investments and the Property Market. These appointments can be seen as a measure of their confidence in their current success, and in their future growth over a wide range of corporate interests.

Property Finance Manager £30-£40K

An attractive senior opportunity in the Clients Commercial Property Division for an ambitious graduate or accountant aged 25 to 35 with relevant experience and a thorough understanding of existing and emerging methods of financing major property development and ownership.

You will be responsible to the Managing Director of the Property Division working closely with development directors and surveyors in the early stages. This will involve advising on and promoting their Development programme and keeping a close dialogue with the funds and the international banking institutions to assemble the most favourable finance package for each project. Ref 208/JF/86.

Assistant Treasurer – Banking £30-£40K

Probably a member of A.C.T. and certainly with several years' experience with a major multi-national corporation, this background will have enabled you to gain a thorough understanding of money markets — particularly in Europe and North America. You are therefore ideally equipped to assume responsibility for all their day to day money market activities, and to advise on new products as they develop and project finance proposals. Ref 209/JF/86.

Assistant Treasurer – Projects £30-£40K

With several years' general financing experience — which includes 2-3 years in project financing — your experience could have been gained in the banking sector or perhaps with a progressive industrial corporation. An MBA would be an advantage. Your background will enable you to assume responsibility for co-ordinating, advising on and developing all their project financing activities, investigating new financing techniques, maintaining and improving bank contacts and advising on general finance. Ref 210/JF/86.

Assistant to Group Investment Adviser £20-£25K

This position carries two main responsibilities. As the *Secretary of the Investment Management company you'll be* preparing reports on companies for the Group Chief Executive, preparing agenda, board papers and minutes for monthly meetings and reviewing stockbrokers' circulars.

You will also be closely involved in managing pension funds that have more than doubled in the past four years and which are currently of the order of £180 million. More specifically you will monitor cash positions, negotiate money deposits, deal with and report on Combined Actuarial Performance reviews, assess underwriting proposals and, in the long term, develop a reliable instinct for all aspects of suitable investment markets.

This adds up to an interesting and challenging opportunity for a qualified accountant (probably aged 25-35) who has not only the experience in most, if not all, of the above areas — but has also the ambition and ability to assume greater responsibilities. Ref 211/JF/86.

In addition to the *attractive* salaries quoted there will be an impressive range of benefits which will reflect our client's international status and their appreciation of the contribution you are expected to make within this fast moving corporate environment.

In the first instance, please send your CV, quoting the appropriate reference, to John Faith, at Austin Knight *Selection, 17 St Helen's Place, London EC3A 6AS or* telephone him on 01-628 5021 (01-256 6925 evenings/weekends) for an initial discussion.

Austin Knight Selection

Divisional Finance Director

London **to £35K + benefits**

Our client, part of a rapidly growing public group in the service sector, is an autonomous and expanding Division of companies with interests in the UK and Europe. The Division's turnover currently approaches £10m. Future growth plans could include new developments both in the UK and overseas.

As part of a re-organisation, there is now a requirement for a Finance Director to join the Divisional Board, who, with overall responsibility for the finance function, will play an active role in determining future strategy and continued profitable development of the Division's businesses. Initial priorities will include the reorganisation of the accounting function and improvement of existing management information systems to meet the demands of a fast moving business.

The successful candidate will be a qualified accountant, aged early-mid 30's with a progressive track record of achievements and well developed staff management skills gained in a service-based environment. Previous experience of managing and developing computerised systems is considered essential. Personal qualities will include flexibility and enthusiasm coupled with an assertive yet tactful style. You must be able to demonstrate an understanding of overall group concepts and have the potential for personal career development.

Interested applicants should write to Barry A. Ollier ACA, *Executive Division enclosing a comprehensive C.V.* and daytime telephone number at 39-41 Parker Street, London WC2B 5LH, quoting reference 372.

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Controller

Information Systems

Berkshire **to £25,000 + Car**

Our client is the UK subsidiary of a British hi-tech public *company.* Through a network of regional offices they provide the sales and support functions for the distribution of its office automation systems. The company is also responsible for the manufacture of systems for both UK and overseas markets.

As a result of internal promotion they now seek a Financial Controller to head up the accounting function. Working closely with the Managing Director you will be responsible for the production of management information, budgeting, planning and forecasting, annual accounts and ad hoc project work.

Candidates should be qualified accountants with an excellent track record in manufacturing financial management and possess a strong personal presence, commercial awareness and well developed communicative skills.

The company offers an attractive package which reflects the seniority of this key management position.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday December 4 1986

Alsthom takes control of Schneider rail business

BY PAUL BETTS IN PARIS

ALSTHOM, the heavy engineering group controlled by France's nationalised Compagnie Générale d'Electricité (CGE), is to take over at the beginning of next year the railway equipmeet business of Jeumont-Schneider, one of the main industrial units of the private Schneider group and Alsthom's main French rival in the rail sector.

Jeumont-Schneider yesterday confirmed the deal but declined to disclose the price. Under French law, details of the deal have first to be disclosed to a company's central works committee before they can be made public.

Jeumont-Schneider said yesterday that its central works committee would be informed of the sale next Tuesday.

The merger is expected to be completed at the beginning of January. It will create one of the world's largest manufacturers of railway equipment. Alsthom, whose railway activities account for about 15 per cent of its overall annual sales of FFr 23.5bn ($3.64bn) last year, is the leading railway traction equipment manufacturer in Western Europe.

Jeumont-Schneider's railway activities account for about 25 per cent of the company's annual sales of FFr 7.6bn. The merged activities are expected to have annual sales of about FFr 5bn.

Jeumont-Schneider sought two years ago to reinforce its railway equipment activities as one of the group's three major core busines, but it has decided to withdraw from the sector because of the fall of export orders and a sharp decline in orders from the French railways and the Paris urban transport authority.

A Jeumont-Schneider official said yesterday that the oil price fall had hit export orders to oil-producing countries. The decline in the value of the dollar had also had a sharp impact on the profitability of exports to the US.

The company is supplying equipment for the New York underground system. French railway and Paris urban transport orders had virtually "dried up."

So, Jeumont-Schneider judged it best to hive off its activities in this sector to Alsthom because it felt there was probably no longer room for two rival manufacturers.

The deal is expected to give Alsthom greater economies of scale in the railway. However, the merger will be a delicate operation for Alsthom, which is deeply involved in the troubled French shipbuilding sector and whose other heavy engineering busines are also dependent on large but shrinking orders.

The shedding of Jeumont-Schneider's railway activities comes at a time when the Schneider group is completing a major reorganisation and recovering from the trauma caused two years ago by the bankruptcy of Creusot-Loire, its former heavy engineering subsidiary.

After the sale to Alsthom, Jeumont-Schneider will be essentially involved in two principal sectors, including the private as well as the electro-mechanical energy and marine business.

Pechiney trims aluminium operation

By Our Paris Staff

PECHINEY has announced a restructuring plan for its domestic aluminium and ferro-alloy operations designed to save the nationalised French aluminium and metal fabrication group FFr 600m ($93m) a year.

Mr Jean Gandois, chairman, said the new plan involved the closure of loss making operations and job cuts involving 1,700 people working for the group's French aluminium and ferro-alloy divisions during the next two years.

However, the plan reverses Pechiney's earlier proposal to shut down immediately two aluminium plants in France involving 140,000 tonnes a year of aluminium production capacity.

These plants at Nogueres and Riouperoux will be kept open for five years before being closed. But their aluminium production will be trimmed next year to bring the combined production capacity of the two plants down to around 115,000 tonnes a year.

Mr Gandois said the reprieve of the plants had been made possible because Pechiney had succeeded in renegotiating its special electricity contracts with Electricité de France (EdF) to reduce energy costs for the two plants.

The restructuring plan also envisages the closure of an aluminium plant in France and an open cast bauxite mine which represented a financial drain for the company of about FFr 100m to FFr 150m a year.

In the ferro-alloy division, the new plan will lead to a 40,000 tonne a year reduction in the group's domestic ferro-silicon production capacity and a 20,000 tonne a year reductioe in silicon capacity. Mr Gandois indicated that the ferro-alloy division was losing about FFr 200m a year.

Although Pechiney will have to make provisions in its 1986 accounts to cover the cost of the restructurings, Mr Gandois said that the new plan and the renegotiation of the EdF electricity supply contracts would represent total savings of about FFr 600m a year

However, be said that the provisions coupled with the general international environment in the aluminium business would clearly have an impact on Pechiney's financial performance this year, with the group reporting sharply lower earnings compared with a profit of FFr 750m last year.

In the first half of this year, Pechiney's earnings dropped sharply to FFr 104m from FFr 451m in the first half of last year.

Mr Gandois emphasised that he wanted to eliminate loss making operations.

Li Ka-Shing to acquire 52% stake in Husky Oil of Calgary

BY BERNARD SIMON IN TORONTO

MR LI KA-SHING, the Hong Kong property tycoon, and companies under his control are to acquire a 52 per cent shareholding in Husky Oil of Calgary, one of Canada's leading integrated energy producers.

Union Faith, a company controlled by Hutchison Whampoa, the Hong Kong trading group, and Hongkong Electric, the colony's power utility, will pay C$484m (US$350m) for a 43 per cent interest in Husky. Mr Li's family interests will buy another 9 per cent for C$102m.

In terms of an agreement announced yesterday after several weeks of negotiations, Husky's present controlling shareholder Nova, an Alberta corporation will lower its stake from 57 per cent to 43 per cent. The Canadian Imperial Bank of Commerce will hold the remaining 5 per cent.

The Husky purchase, which is still subject to minority shareholder and government approvals, marks another step in the accelerating expansion of Mr Li's international interests.

Last September, Hutchison Whampoa bought 5 per cent of Pearson, the diversified British publishing group which owns the Financial Times. Mr Li has also agreed to build and partially finance a coal-fired power station in the Chinese province of Jiangsu.

The Husky agreement includes a plan to take the company private by offering shareholders a cash payment of C$11.80 a share, or C$6.73 per share cash plus an unspecified interest in a company which will be set up to hold Nova's 43 per cent interest.

The parties to the transaction said that they intended to inject up to C$1bn of new capital into Husky over the next four years. The drop in oil prices and recent changes in Canadian Government incentives have threatened the viability of some of its ventures, notably exploration off the east coast of Canada and the planned construction of a C$3.2bn heavy oil upgrader on the Alberta-Saskatchewan border.

Foreign takeovers of oil and gas producers are a sensitive political issue in Canada. Energy Minister Mr Marcel Masse indicated recently that the Government was reluctant to approve foreign acquisitions except where they were needed to strengthen a domestic producer's financial position.

The parties to the Husky acquisition yesterday stressed the continuing Canadian involvement in the company. Hutchison's chief executive Mr Simon Murray and Nova president Mr Robert Blair will be joint chairmen of Husky. Nova and the Li Ka-Shing interests will have equal representation on the board, but at least two-thirds of Husky's directors will be Canadians.

Credit Lyonnais boosts capital

By George Graham in Paris

CREDIT LYONNAIS yesterday launched a FFr 1.5bn ($234m) perpetual floating rate loan on the French domestic market. The move aims to build up the group's capital resources in readiness for privatisation and for the regime of banking reserve ratios which will be applied in France from January 1.

The issue will bring the French bank's total capital resources to FFr 20.8bn, almost double their level two years ago. After issuing FFr 4.3bn of non-voting certificates of investment Crédit Lyonnais is not able to issue any more equity until it is privatised.

Mr Jean-Maxime Leveque, president of Crédit Lyonnais, has made no secret of his desire to be next on the list of banks to be privatised, but the group needs to boost its capital in order to reach a level which international investors would regard as sufficient.

The new floating rate loan, which is indexed at 0.3 percentage points below the TMO – the average of the yield of bonds guaranteed by the state – will increase Crédit Lyonnais's capital and provisions to 13.1 per cent of its loan book.

French banks have often been nervous about international comparisons of their capital adequacy ratios, which are lower than those of most major overseas banks because of the larger share of interbank activity in their balance sheets.

Mr Leveque will tomorrow announce a major reorganisation of Crédit Lyonnais's structure, regrouping its activities into three sectors: personal banking, corporate banking and capital markets.

Crédit Lyonnais was forced by the French Finance Ministry to delay the launch of the FFr 1.5bn loan in order to give a fair wind to the flotation of St Gobein, the first in France's ambitious privatisation programme.

St Gobain's share offer closes at the end of this week

Mr Bernard Thiolon, managing director of Crédit Lyonnais, said yesterday the loan would be sold through the bank's own networks as well as to French institutional investors.

Nordic shippers near decision on joint plan

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE LEADING Scandinavian shipping companies are expected to decide in the next few weeks about whether to press ahead with ambitious plans to pool their liner shipping operations in a common management company.

Four shipping companies, Transatlantic and Johnson Line of Sweden, East Asiatic of Denmark and Wilhelm Wilhelmsen of Norway have been discussing the joint venture for nearly two years.

Finncarriers, the liner shipping operation of Effoa, the Finnish shipping company, could also be involved.

A decision to pool the Nordic region's liner shipping operations would follow similar earlier moves in other countries such as the UK and the Netherlands.

"It is a question of forming a central management company," said one leading participant in the negotiations yesterday. The ambitious joint venture has been called the "eagle project" by the participants, "but we don't know yet if the Eagle will fly," said one of the companies.

The pressure to consolidate the Scandinavian region's liner shipping operations has grown as losses on several services have mounted.

One victim of the shipping crisis was claimed in early 1984 with the financial collapse of Brostroms, once Sweden's leading liner shipping group, and its services were taken over by Transatlantic.

Mr Peter Carlsson, managing director of Transatlantic, said earlier this year that it was now accepted in the Nordic region that co-ordination was the correct strategy. It was a question not of whether, but of how, a total or partial co-operation should occur.

Several of the groups are already working in common pools on some routes, but the co-ordination now under negotiation is much more ambitious and would involve as many as 28 container and ro/ro vessels.

These ships are working on routes between Scandinavia and North and South America, Africa, Australia and New Zealand, the Far East and the Middle East.

Aegon shows flat profits in third quarter

By Our Financial Staff

AEGON, the second largest Dutch insurance group after Nationale Nederlanden, reports flat third quarter profits but says earnings for 1986 as a whole will show an improvement.

On slightly lower revenue, net profits for the third quarter were almost exactly unchanged at Fl 76m ($34m). Aegon says its performance has been severely checked by the weakness of the dollar.

Net profits for the nine months were Fl 242m, against Fl 226m a year ago. This represents an increase of 7 per cent. But for adverse exchange rate movements the nine month upturn would have been 22 per cent, Aegon says.

However, the company reasserts that net profits for the full year should show an improvement on the Fl 308m of 1985, although in per share terms, earnings will be lower as a result of capital increases.

Total revenue for the third quarter dipped from Fl 2.08bn to Fl 1.97bn while revenue for the nine months came to Fl 6.57bn, against Fl 6.75bn.

Calgary airline buys Canadian Pacific unit

BY BERNARD SIMON IN TORONTO

PACIFIC WESTERN Airlines of Calgary is set to become an important force in international aviation with the acquisition of Vancouver-based Canadian Pacific Airlines, Canada's largest privately-owned air carrier.

PWA said yesterday that it is to acquire loss-making CPAL from the conglomerate Canadian Pacific for C$300m (US$217m) transforming itself from a medium-sized regional airline to a group with 92 aircraft and routes throughout Canada and to the Far East, Europe and Latin America.

The sale of CPAL is the second large asset disposal in two months by Canadian Pacific, the transport, communications and resources conglomerate which is moving decisively under new management to lower its debt and become a more sharply focused business.

Canadian Pacific recently sold its 53 per cent interest in the West Coast metals and fertiliser group Cominco to a consortium of Canadian, West German and Australian metals companies.

PWA is a widely-beld company, with no single shareholder owning more than 4 per eent of the stock. The company, with 1985 revenues of C$352m has cash reserves of C$350m, much of it accumulated by an aircraft leaseback arrangement concluded earlier this year.

PWA said that it intends to operate both airlines separately for the time being, but that services will be closely co-ordinated to give maximum competitive advantage at a time of gradual deregulation of the Canadian airline industry.

The purchase does not include CPAL's hotels division, which operates many of Canada's famous railway hotels.

The sale, expected to be completed in early 1987, requires Canadian Government approval. But Transport Minister Mr John Crosbie said yesterday that the transaction "may well lead to more competition by establishing two strong national airlines."

The combination of CPAL and PWA will be a formidable competitor against the state-owned airline Air Canada, which has up to now dominated Canadian air travel.

Link-up plan at Texas Instruments

By Louise Kehoe in San Francisco

TEXAS INSTRUMENTS, the largest US semiconductor manufacturer, aims to set up alliances and co-operative agreements with leading electronics companies and other semiconductor manufacturers, particularly in the US and Europe, and to strengthen its operations in South East Asia.

To implement the new strategy, which was announced yesterday, Mr William N. Sick, executive vice president and former head of TI's semiconductor operation, will assume responsibility for creating new alliances worldwide. Mr William P. Weber will take over responsibility for semiconductor operations.

"The major issues for the US semiconductor industry today relate to the Asia-Pacific region, in terms of both competitioe and market opportunity," Mr Jerry Junkins, TI president said.

Like other US chip makers, TI aims to boost its export sales by forming partnerships with leading customers. TI's announcement follows similar moves by Motorola, which has formed a joint venture with Toshiba in Japan, and National Semiconductor which has signed a long term manufacturing and development agreement with NMB Semiconductor, also of Japan.

Gist and Shell discuss chemical joint venture

BY LAURA RAUN IN AMSTERDAM

ROYAL DUTCH/SHELL, the Anglo-Dutch oil giant, and Gist-Brocades, the Dutch biotechnology company, are considering the establishment of a 50–50 joint venture for making and selling fine chemicals and industrial enzymes.

If agreement is reached, Gist-Brocades would bring to the joint venture most of its industrial enzymes division with turnover of about Fl 185m ($83m) suggesting the new company's size would be in the order of Fl 370m. About 800 employees would be involved worldwide, including three production facilities in the UK, Belgium and the US.

Royal Dutch/Shell would participate through Ward Blenkinsop, its fine chemicals subsidiary in Widnes in north-western England, which was already targeted for a modernisation programme.

The two companies have been involved since 1981 in a joint research agreement that covers fundamental research in a broad swathe of biotechnology. A joint venture would exploit the basic research and provide greater efficiencies in manufacturing and sales.

Industrial enzymes are primarily aimed at the starch and detergents market while fine biochemicals are used as semi-finished products for pharmaceuticals and agricultural chemicals. Biopolymers are produced for water purification, waste treatment and oil-exploration chemicals

Gist-Brocades had sales of Fl 1.85bn last year of which about one-third each derived from bread additives, industrial enzymes and pharmaceuticals.

Royal Dutch/Shell, with sales of £73bn ($104bn) is the second largest oil company in the world.

Italian unit trusts suffer lowest intake of the year

BY ALAN FRIEDMAN IN MILAN

ITALY'S unit trusts have been hit by unprecedented redemptions, resulting in the lowest net intake of the year in November.

The net inflow of savers' funds to the 50 unit trusts, which are managed by 33 institutions, totalled L970bn ($706m) in November. The gross inflow was down from L2,689be in October to L2,372bn last month. Redemptions of L1,402bn in November, an increase of 49 per cent on the previous month, brougbt the net figure down.

Financial analysts in Milan say the sharply lower net intake may suggest that the unit trusts, which have played an important role in the growth of the Milan bourse, may be losing some of their lustre for savers.

The everage performance of the trusts in recent months has averaged only 5 per cent, while the performance over the last 12 months, which included boom months until last May, was 50 per cent.

The Milan Bourse has seen volume falling off in recent weeks and prices being marked down. Some analysts say that the stockmarket is simply winding down ahead of the Christmas holidays, while others say that investors are becoming increasingly selective and many shares are overpriced.

Redemptions still represent only e tiny percentage of total unit trust funds of around L65,000bn, a level double that of a year ago.

INTERNATIONAL COMPANIES and FINANCE

Gencor reduces six-month dividends

By Kenneth Marston, in London

THE Gencor group of South African gold companies have announced half yearly dividends that are generally lower than a year ago.

Beatrix Mines is an exception with a 1986 final of 50 cents (11 US cents) which makes a total for the year of 65 cents. There was a maiden payment of 15 cents for 1985.

Grootvlei's final is raised to 105 cents but, following the reduced interim, the 1986 total has fallen to 165 cents from 180 cents for last year. Marievale also reduced its interim earlier this year and the unchanged final now announced of 35 cents makes a 1986 total of 60 cents against 70 cents.

MCI to take $700m write-off

BY WILLIAM HALL IN NEW YORK

MCI COMMUNICATIONS, the fast growing telecommunications group which is challenging the giant AT&T's dominance in the long distance telephone market, is to take a pre-tax charge of up to $700m to cover a major consolidation of its activities.

Tha write-off is part of a series of moves designed to enhance operating efficiencies, strengthen future profit margins and enable the second biggest long-distance telephone carrier in the US "to compete more effectively." The company, which has been expanding rapidly in a bid to win new customers following the deregulation of the long-distance telephone market, has been hit by rising costs and fierce competition.

There is a widespread feeling on Wall Street that MCI has failed to live up to expectations of its early promise. Its shares, which hit a peak of $28.40 in 1984, are trading close to recent lows.

MCI plans to cut its 1987 capital spending from more than $900m to under $800m, and will consolidate operational, administrative and support staff and offices around the country. It also expects to trim its longer term capital spending because of efficiencies in its new digital network.

The company said yesterday that it will take a pre-tax charge of between $500m and $700m in its fourth quarter, reflecting the reduced value of certain plant and equipment because of new digital technology in its network and reduced reliance on satellite capacity. The company was unable to quantify the after tax impact of the charge or the size of its staff cutbacks.

MCI has grown rapidly since 1980. Its customer base has mushroomed from 41,000 to almost 5m and its workforce has grown from 2,000 to 16,000.

MCI said that the consolidation would mostly affect essentially surplus facilities and staff that were necessary during the 2½ year period when most Americans were asked to choose a long distance carrier. MCI more than doubled its market share during that period, said Mr Bert C. Roberts, MCI president.

"With the most intense period of equal access conversions now over and future conversions scheduled at a slower rate, we can now respond swiftly to the increased pressure on profit margins throughout the interexchange industry, to remain the leanest and most competitive of the long distance carriers," he said.

MCI estimates that the moves will cut its net worth from $1.7bn to close to $1bn. Its debt stands at $2.1bn.

Drexel to drop property venture

BY ANATOLE KALETSKY IN NEW YORK

DREXEL Burnham Lambert, the rapidly-growing New York investment bank which dominates the financing of highly-leveraged takeovers, corporate raids and management buy-outs, has announced that it was pulling out of a property venture worth more than $500m. The deal was to have provided it with ona of tha biggest and most opulent corporate headquarters buildings in Wall Street.

DBL's decision is one of the first tangible examples of the damage wrought in the property market by the new tax bill legislated in October. It also illustrates the way the Ivan Boesky insider trading scandal has punctured the recent euphoria in much of the US securities industry.

Mr Robert Linton, DBL's chairman, said yesterday that the tax bill, which will prevent the costs of passive real estate investment from being offset against other sources of profit, was the main reason for the decision not to occupy the 47-story 1.8m sq ft building at World Trade Center which was being developed by Silverstein Properties with a view to DBL taking a 49.9 per cent equity stake.

Mr Linton also added: "The fall-out of the insider trading investigation made us decide that it was not a propitious time to go through the tremendous diversion of moving head office." DBL was the investment bank most closely involved with Mr Boesky

Mr Fred Joseph, DBL's chief executive, stressed, however, that his company's business had not been adversely affected by the Boesky scandal and said its capital had grown to $1.7bn.

Hilti in joint venture with Ciba-Geigy

By John Wicks in Zurich

HILTI, the Liechtenstein-owned manufacturer of fastening systems, has set up a joint venture with Ciba-Geigy, the Basle chemical concern for building chemicals operations.

The SFr 15m ($9.1m) company will be known as Hilti-Ciba-Geigy and based in Schaan, the headquarters of the Liechtenstein partnar.

Ciba-Geigy is activa in the building-chemicals sector.

INTERNATIONAL COMPANIES and FINANCE

Diamond Shamrock bid by Pickens

BY JAMES BUCHAN IN NEW YORK

MR T. BOONE PICKENS, the Texas oilman and corporate raider, yesterday returned to the takeover arena with an all-share offer for Diamond Shamrock, the languishing Dallas integrated oil company which recently cut its dividend by more than half.

Mesa Limited Partnership, the oil and gas company controlled by Mr Pickens, in conjunction with Mr John Harbert, who owns 4.5 per cent of Diamond, yesterday propoad a shara swap which, at yesterday's price of $16.75 a share for Mesa, values Diamond Shamrock at about $2bn.

Yesterday's offer for Diamond Shamrock, which lost $170m from continuing businesses the third quarter to September, comes after a year in which Mr Pickens has refrained from harassing his favoured prey in the US oil and gas sector.

Mr Pickens made hostila hids for Phillips Petroleum and Unocal in 1984 and 1985, but his largest deal since then has been a friendly takeover of Pioneer for shares. Mr Pickens has found time to write his memoirs and to campaign for the rights of small shareholders.

Diamond Shamrock said its legal and investment advisers would review the offer and make "an appropriate recommendation" to shareholders.

Like USX, the steel company which recently came under corporate attack from Mr Carl Icahn, Diamond Shamrock diversified several years ago out of its basic chemicals business and bought oil and gas interests just before energy prices collapsed.

Earlier this year, Diamond sold its chemical business for around $700m and sought unsuccessfully to disposa of its coal interests. Diamond's share price has underperformed the market since 1981, and analysts helieve that the Pickens offer still shows a discount to the value of Shamrock's short-life oil and gas reserves.

However, in electing for a share offer that will double Mesa's equity base while still leaving nearly $1bn in cash untonched, Mr Pickens is helieved to be gearing up for further corporate harassment.

See Lex

NZ Forest Products 43% ahead at midterm

By Our Financial Staff

NZ FOREST PRODUCTS, which last month became the subject of a NZ$1.5bn (US$754.9m) takeover bid from Fletcher Challenge, yesterday reported a 42.9 per cent advance in net attributable profits to NZ$72.11m for the half-year to September.

This came on a 7.7 per cent improvement in turnover to NZ$633.7m. The pre-tax result was given as NZ$44.52m, against NZ$49.34m, and the increased net level in part reflected extraordinary earnings of NZ$11.91m where none was recorded last time.

The interim dividend is being lifted to 6.5 cents from 6 cents a share.

Share trading restricted on Indian markets

Stock Exchange dealings in India have been restricted after a sharp fall in share values in recent days, our Bombay and Calcutta correspondents write.

At the Calcutta exchange, India's second largest, trading was paralysed for the second day yesterday, although the authorities said the market had officially been kept open.

Hindustan Motors shares — the market leader which had been rising at a steady pace for some months to a high of Rs 58 — suddenly fell to Rs 33 and were quoted on Monday at Rs 29.25 when brokers halted dealings. Its slide triggered a sharp general decline.

At the Bombay exchange the country's largest carry-ing forward of outstanding positions was suspended from Monday for shares in 63 leading quoted companies. A floor level for share prices was fixed—based on closing prices for that day when the BSE Index of 30 shares fell 17 points to a year's low of 482.41.

Hong Kong issue by Bond International

BOND CORPORATION International, part of Mr Alan Bond's Australian group, is to make a HK$136.9m (US$17.55m) issue of new shares in the British administered territory, Reuter reports from Hong Kong.

Wardley, the underwriter, said the issue, priced at HK$1.18, carries for every two shares a warrant exercisable into one further share in the company, which groups his local residential property acquired from Hongkong Land.

Pao makes placing

SIR YUE-KONG PAO, the Hong Kong shipping and property magnate, has raised HK$360m (US$46.15m) by a placement of shares in World International (Holdings), his flagship company, AP-DJ reports from Hong Kong.

Murdoch broadens his base in Australia

MR RUPERT MURDOCH'S move to snatch control of the Melbourne-based Herald and Weekly Times (HWT) presented the newspaper group yesterday with a take-it-or-leave-it A$1.8bn (US$1.17bn) cash offer which proved impossible to refuse.

The sudden move, made less than a week after the Labor Government announced a radical new policy on media ownership, offered the first dramatic evidence of the shake-out which the changed rules are expected to precipitate.

But a question mark hung over the deal because the Australian-born Mr Murdoch is now a US citizen, and because of the significantly increased influence it will confer on him.

The Herald group, established in 1902, controls television stations in Melbourne and Adelaide, and major newspapers and a radio station in the state of Victoria. It also has large stakes in newspapers in Brishane and Adelaide.

With News Corporation's control of televisioo stations in Sydney and Melbourne and of newspapers in Sydney, Adelaide, Canberra and Brishane, Mr Murdoch's reach will become vast, penetrating every state capital and most regions of Australia.

Mr Murdoch's precise plans for the enlarged group remained unclear last night, hut it was thought likely he would dispose of the newly-acquired television and radio stations and perhaps the stations already owned by News Corporation as well.

Under Labor's proposed policy, which has yet to be legisisted, media owners will have to choose between newspapers and broadcasting. Although existing arrangements will not he affected, it was not clear last night whether the HWT deal would come under the new rules.

Chris Sherwell on the Herald and Weekly Times deal

Likely huyers for the television stations would include Mr Robert Holmes à Court, the Perth husinessman whose Bell Group held a small hut significant stake in HWT. Bell Group itself hid for half of HWT in 1981.

Another recent unsuccessful hidder has been Mr Kerry Packer, who also owns television stations and periodicals. Mr Murdoch himself bid for HWT in 1979, and has long had his eye on the group, if only for sentimental reasons—his father, Sir Keith Murdoch, was managing director there.

Although a further hid for HWT had been widely expected, when it came it shook the market by its compatitiveness and its speed. A short while before lunch, an announcement to the stock exchange said Mr Murdoch bad offered A$12 per share cash for all 150m-odd shares, along with two alternative options.

But there was a condition. The HWT board had to decide by 5.00 pm to recommend acceptance to its shareholders, in the absence of a higher hid.

With the price around A$8.40, trade in the shares became hectic and the price quickly reached A$12, one of the sharpest rises seen in Australia's four-year bull market.

The board emerged from a long session agreeing to the terms. Mr John D'Arcy, HWT's chief executive, remarked that he could not say the board had been pleased, hnt it was "comfortable."

One of the potential heneficiaries of the deal is Mr Ron Brierley, head of Industrial Equity, which had around 12 per cent of HWT from its own recent interest in the company. Having come in at around the A$6.50 mark, tha group stands to make a profit of some A$100m if it sells out to Mr Murdoch.

SPH move on foreign ownership

BY JOYCE QUEK IN SINGAPORE

SINGAPORE Press Holdings, the group which holds an effective monopoly on newspaper publishing in the island state, said yesterday it would stop registering share transfers into foreign hands, following an increase in overseas ownership of SPH to its self-imposed limit of 49 per cent.

This was announced along with results for the year to August which showed a 4.3 per cent dip in pre-tax profits to S$101.4m (US$46.2m).

Newspaper operations, which account for 80 per cent of the group's total, fell but all other operations improved sufficiently to edge turnover up 8.6 per cent to S$722.6m.

With tax cuts, the net dividend remains unchanged.

Modest rise in Volkskas first-half operating profits

BY JIM JONES IN JOHANNESBURG

VOLKSKAS, South Africa's fourth largest banking group, has reported a modest increase in interim operating profits despite the generally unfavourable banking business climate.

The disclosed interim operating income rose to R26m ($11.8m) in the six months to September from R24.6m in the corresponding period of 1985 and against R53m for the year to March 1986. The figures do not precisely reflect operating results as Volkskas takes advantage of secrecy clauses in the Banks Act and reports profits only after tax and transfers to or from inner reserves.

Total assets fell slightly to R12.9bn at the end of September from R13.4bn at the end of March, reflecting poor demand for credit from unconfident consumers and businesses. The directors say that business volumes have declined, that banking margins have narrowed and that bad debts have increased.

The first half's disclosed earnings have risen to 85 cents a share from 80.3 cents and the interim dividend has been lifted to 22 cents a share from 21 cents. In the last financial year earnings totalled 173.4 cents a share, from which a total dividend of 57 cents was paid.

Philippine mine stake for Paragon

BY KENNETH MARSTON, MINING EDITOR

PARAGON RESOURCES (formerly Seltrust Holdings) is to acquire a 40 per cent interest in the Philippine Eagle Mine, a former gold producer in the Paracale district of Camarines Norte in the Philippines. The Australian company's purchase consideration of A$6m (US$3.9m or £2.7m) is to be paid from mining proceeds.

The mine was last operated in 1952 and subsequent exploration work resulted in a 1970 estimate of a 1.37m tonnes mineable ore reserve grading 13.57 grammes gold per tonne lying below the old underground workings at 122 metres. Paragon's initial target, however, will be to examine a nearer surface open pit reserve of an indicated 800,000 tonnes grading 13 grammes per tonne gold.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE NOVEMBER 28 1986

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	8.597	−0.394	10.360	8.570
Australian Dollar	14.005	−0.363	14.630	12.830
Canadian Dollar	10.221	−0.273	11.704	10.221
Euroguilder	5.994	1.353	6.314	5.804
Euro Currency Unit	8.739	0.252	9.524	8.164
Yen	6.274	−0.381	7.002	6.207
Sterling	11.335	−2.091	11.932	9.751
Deutschemark	6.408	−0.187	7.080	6.318

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Clare Pearson explains why investors have deserted a fragile market

FRN traders struggle to restore stability

YESTERDAY'S CRISIS meeting of more than 40 floating rate note (FRN) traders, prompted by a free fall in the prices of perpetual notes, was the most serious measure to restore trading stability ever taken in the Eurobond market.

Yet even after the meeting, during which voluntary agreement was reached on dealing sizes and bid/offer spreads to restore stability, the market remained in a shaky state. It was not clear that the downward spiral is over.

After the opening, when prices fell by up to 1½ percentage points, some dealers reported that selected issues were showing an upward correction towards the end of the day. But many dealers remained reluctant to trade, despite the morning agreement.

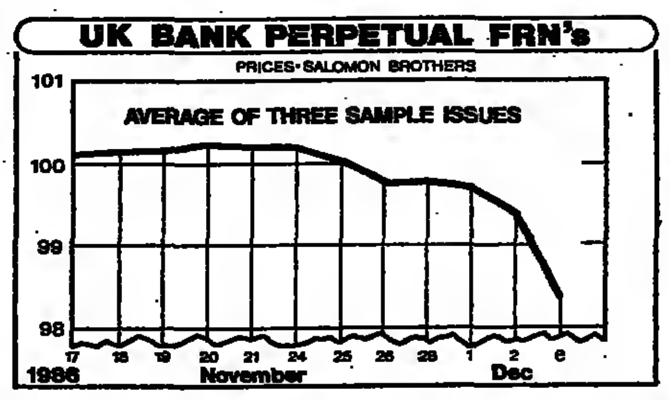
The episode underlines the fragility of the FRN market, which has been trading nervously for some months but is now suffering a serious loss of confidence under the impetus of the desire to cut down inventory before the year-end.

It is also a measure of the difficulties that the self-regulatory bodies in the Eurobond market face in establishing agreed practices in this previously free-wheeling market.

A body of market makers, under the auspices of the Association of International Bond Dealers, recently agreed on trading guidelines in the fixed rate market that will come into effect on January 2.

The rules do not so far extend to the FRN market, although a sub-committee has been set up to consider their applicability. If in force, they would forbid a suspension of market-making of the type seen yesterday morning before the meeting.

Perpetual issues have borne the brunt of the market loss of confidence, at the simplest level, because of increased awareness on the part of investors that the issues, which provide primary capital for banks, may never be repaid.



A reassessment of their value has been triggered by the general vulnerability of the market. Their fundamental attraction—their relatively high current yield—has looked increasingly less enticing as falling prices for fixed-term bonds have been improving their yields.

Yet issuing houses have greatly overestimated the retail investor demand for perpetuals. For one thing, investors are aware that a substantial flow of undated deals could be in the offing from banks in the US, France, and perhaps Japan, where a go-ahead from the authorities to treat perpetuals as primary capital debt is awaited.

Meanwhile the appearance of US-style asset-backed dated FRNs, such as collateralised packages of mortgages, have been appearing to challenge the yield appeal of the undated bonds. These provide both a triple-A credit guarantee and a comfortable yield over Libor.

Such end-investor demand as there is has been eroded by the behaviour of the market-makers, many of whom have sold deals short in the hope of profiting from a further price falls.

Confidence hit a new low point last week when a $200m FRN for Standard Chartered Bank was launched. This looked fairly generous compared with deals for the British clearing banks, but dealers found that even a yield spread of 15 basis points over six-month Libor and 50 basis point fees were not enough to stop the price from hurtling downwards in the absence of investor demand.

Yesterday's meeting was a desperate attempt to maintain liquidity. This was particularly pressing, given that the ability to trade is essential for an investor in perpetual FRNs.

But the perpetuals' collapse is also a sign of the more general erosion of confidence in the FRN market which has been evident for some months. The problem started during the summer, when Libid-based new paper for sovereign issuers made an appearance. Such bonds may attract large institutional investors with cheap sources of funding, but are mainly held by banks, the traditional FRN investors, only at a funding loss.

Traders agree that pricing at this level was never really accepted by the market. When professionals started marking prices down investors took flight, and have only recently begun bargain-hunting at lower price levels.

Bereft of end-investors, the market has been trading extremely thinly. This has been brought into focus by some erratic price movements in seasoned issues and widespread short-selling of new bonds. Dealers say the market has been heading towards a fundamental realignment for some time.

For many dealers, attempts like yesterday's touch only the tip of the iceberg. The fundamental problem, they argue, is a lack of evaluation ability among both investors and dealers, many of whom have never seen a bear market.

"They're scratching around for direction," said one market participant. "At least 50 per cent of them are very poorly equipped to cope with the market."

Split between straight and floating sectors widens

BY OUR EUROMARKETS STAFF

THE GROWING SPLIT in the primary Eurobond market between straight and floating rate US dollar-denominated issues became even more pronounced yesterday. While dealers in floating-rate notes (FRNs) grappled with the bloodbath in their market, primary issue traders had a busy day selling high quality new straight paper.

A large $247m issue was launched for the European Energy Commission, which borrows with the same legal status as the European Commission but carries no rating. Led by UBS Securities, it is for 10 years, with a coupon of 7½ per cent and a price of 101¼.

This gave it a spread of 70 basis points over US Treasuries, net of fees. Though it was not widely quoted, a bid price of 2¼ points below issue price was seen, outside the 2 per cent fees.

Late in the day, a $175m issue was announced for Societe Nationale des Chemins de Fer, French railways, guaranteed by the Republic. Led by Credit Lyonnais, it is for seven years, with a 7½ per cent coupon and par pricing, giving a yield margin over US Treasuries at launch of 61 basis points, net of fees.

Morgan Stanley International led a $150m 1994 equity warrant issue for General Electric, the triple A rated US manufacturing group. The non-callable paper has an indicated coupon between 2¾ and 2½ per cent and an indicated issue price of par. Each $5,000 bond will carry 59 warrants with three-year lives.

The deal will be priced on the basis of a 65 basis point yield over equivalent maturity US Treasury bonds and the exercise premium is indicated at between 28 and 29 per cent. The exercise price for the issue will be set at closing price of GE shares.

Demand for the issue was strong, thanks to the rarity of equity warrant deals for top quality US corporate borrowers, and the lead manager was quoting paper at between par and 100½.

Credit Suisse Panama issued a $100m 1997 equity warrant issue, priced at par and guaranteed by Credit Suisse. Led by Credit Suisse First Boston, the paper carries an indicated coupon of between 4¾ and 4½ per cent. Final terms will be set on December 5.

Each $10,000 bond has 30 warrants, any 10 of which can be exercised together over a five-year period into one Credit Suisse share at SFr 3,700. Reflecting the recent strength in equity deals for top quality Swiss names, the paper was being quoted at between 103 and 104 by the lead manager.

INTERNATIONAL BONDS

Merrill Lynch Capital Markets led a $150m 7¼ per cent 1992 issue for Toyota Motor Credit, priced at 101⅛. The paper, which will be triple A rated, was launched at 61 basis points over US Treasury Bonds of equivalent maturity.

Toyota already has three outstanding Euro-issues, and the lead manager reported strong demand from Japanese institutions as well as some European retail interest attracted by the credit quality. The paper was trading within its fees at less 1¾, less 1½.

There was something of a rally in the secondary market for US dollar straight issues yesterday, with prices up between ⅛ and ¼ point on the back of strong markets in both New York and Tokyo.

The Eurosterling market was reopened after a three-month break from new issues. The borrower, the European Investment Bank, was encouraged by a belief that the sterling sector had stabilised at lower levels and by the UK Government's recent expressions of commitment to a stable pound.

The £75m issue, led by Kleinwort Benson, was for eight years, with a coupon of 11¼ per cent and a price of 101¼. It was well received and traded within its fees.

Prices in the D-Mark market ended about ¼ percentage point higher on the day in firm retail demand.

In the Swiss franc secondary market, prices dropped by up to ½ point in active trading.

A SFr 100m 4¾ per cent issue for the City of Yokohama traded for the first time. It closed at 98¼, against a par issue price.

Credit Suisse launched a SFr 165m public bond for General Motors, which will be swapped into US dollars. The 10-year 5 per cent issue is priced at 100½.

Swiss Volksbank launched a note issue with equity warrants for Tobn Stores. The five-year issue carries an indicated 2¼ per cent coupon.

Two sets of warrants for Swiss issue

By John Wicks in Zurich

IN THE latest of a series of innovations on the Swiss capital market, Konsum Verein Zoerich, the retail co-operative, has announced a two-tier warrant issue.

Initially SFr 40m worth of 2.25 per cent bonds are being issued by a consortium led by Credit Suisse in the period from December 8 to 12.

Each of the SFr 5,000 10-year bonds will bear two sets of warrants ("A" and "B") entitling bolders to the purchase of participation certificates. Each of the "A" warrants give title to ooa certificate at SFr 340 between the end of next March and March 31 1989. Each "B" warrant foresees a certificate price of SFr 350 between March 31 1987 and March 31 1992.

Sweden to launch put and call options index

BY SARA WEBB IN STOCKHOLM

OPTIONSMAEKLARNA (OM), the privately-run Swedish options market, plans to launch put and call index options by the end of this year.

Yesterday's announcement comes barely a month after a group of Swedish institutions decided to launch a rival options market—complete with index options and futures—at the beginning of 1987.

OM, which pioneered options trading in Sweden in June 1985, says that its index options, OMX, will be based on the 30 most actively traded shares, with a capital weighting.

The selected shares would represent about 70 per cent of the total turnover on the stock exchange and nearly 50 per cent of the underlying capital.

Buyers have the right to exercise their options on the expiry date and either receive a cash settlement or buy shares in Delta, a fund managed by Aktiv Placering, a subsidiary of Skandinaviska Enskilda Banken.

OM is the broker and clearer for call options on 10 underlying equities, and for call and put options on interest rates.

Since its launch, the Swedish options market has blossomed and exceeded expectations, trading on average 16,000 equity contracts and 4,000 interest rate contracts a day.

Mr Bengt Ryden, head of the stock exchange, is keen to introduce new financial instruments on the Swedish market, and the stock exchange board recently agreed that the exchange should "be positive and co-operate in the initiative and introduction of new instruments."

OM's monopoly in the options field is due to end with the launch of a rival in the form of the Stockholm Options and Futures Exchange (Sofe), the money market brokerage PM, Skandia, and two large pension funds are behind Sofe which is due to start trading by February 15.

Both OM and SOFE now want to co-operate with the stock exchange. Under present legislation, the stock exchange cannot trade options itself, and changes in the law would require government approval.

OM wrote to the stock exchange in August and asked for co-operation in the development of index options, and for permission to have its options prices shown on stock exchange screens.

Meanwhile, SOFE has invited Bengt Ryden to be its chairman and offered the stock exchange the right to buy Sofe pending changes in the law.

Mr Lars Bredin, vice-president of the stock exchange, said that Sofe's aims were closer to those of the stock exchange. "The market and clearing functions should be run on a cost-covering basis as with the stock exchange—we cover our costs with members' fees and the fees from listed companies."

He added that OM had a monopoly and made its money from the commission and administration charges on clearing function. The coocept which Sofe has is closer to that of the stock exchange."

The board is due to decide soon bow it will treat requests for co-operation from OM and Sofe, but the feeling was summed up by one broker who said "Sweden is too small to have two markets."

Brazil plans funds to attract foreigners

By Ann Charters in Sao Paulo

FOREIGN INVESTORS are to be given two new ways to enter the Brazilian stock market. The first will be through a closed-ended Brazil fund incorporated abroad, probably in New York, with shares publicly qooted. The second option will be through open-ended mutual funds formed by Brazilian financial institutions and sold in private placements abroad.

Tha name of the firm to underwrite the Brazil fund is expected to be announced shortly. Merrill Lynch, First Boston and the World Bank's International Finance Corporation (IFC), as well as Salomon Brothers, are being considered as possible choices by the Brazilian government, which expects the fund to raise between $60m and $100m from foreign institutional investors.

Regulations for the fund were released by the National Monetary Council at the end of last week, just before the San Paulo stock market, as measured by the Bozespa index, took another sharp decline of 7.7 per cent on Monday, topping last week's largest single day decline of 7.5 per cent.

Shares on the axchange are now trading at aboot the same price levels as before the Cruzado plan last February, which sent the market soaring and put the economy on a fast growth track.

The Government is expected to push ahead with naming the new fund's manager and underwriter as preparing a prospectus, registering the fund and marketing the shares requires 2½-3 mooths. This should allow for an improvement in the ecooomy.

KHD in tractor venture talks with Daimler

By Our Financial Staff

DAIMLER-BENZ, tha West German motor and industrial group, and machinery producer Kloeckner-Humboldt-Deutz have beld preliminary talks with the Federal Cartel Office on plans for co-operation in the production of tractors and agricultural machinery.

It is understood that the two companies are negotiating on a joint productioo venture for farm tractors and trailers in ordar to reduce costs in a shrinking world market.

In 1985, Daimler-Benz produced about 10,000 agricultural vehicles, but its 1986 output is likely to be lower. Daimler-Benz does not plan to sell its MB-TRAC division to KHD, Daimler said.

Y40bn World Bank loan

BY YOKO SHIBATA IN TOKYO

A SYNDICATE of 20 Jepenese life insurance companies bas eigned a Y40bn, 30-year loen agreement with the World Bank, the longest maturity of any credit of its type for the borrower.

It is also the first deal for which the loan syndicate has been composed entirely of lifa companies, underlining their growing prominence in the overseas long term credit market.

Nippon Life Insurance was lead manager for the deal, which will carry an annual interest rate of 6.2 per cent. Daiichi Mutual Life Insurance and Asahi Mutual Life insurance were co-leads.

In the six months to September, the top five Japanese life companies (Nippon, Daiichi, Sumitomo, Meiji and Asahi) have agreed to fresb loaos worth a total of Y258.1bn ($1.6bo), 54 per cent more than in the comparable period of last year. However, the lifa companies were also hit by a wave of early repayment of loans by borrowers as Japan's long-term prime rate declined.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secoodary market.

Closing prices on December 3

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS. Cr. 0 91 A$	100	58	58¾	−0¼	+0¼	13.21
AB Electrolux 14½ 90 A$	50	100⅝	101⅛	0	+0¼	13.87
Bremer Ldsbk. 12¾ 91 A$	30	98⅝	99⅝	0	+0¼	12.96
Fiat Finance 14½ 89 A$	50	101⅛	102	+0⅛	+0¼	13.51
GMAC 12⅞ 89 A$	50	98	99	0	+0⅛	13.53

Notes: Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

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UK COMPANY NEWS

CORE UK SUGAR SIDE HIT BY PRICE WAR

Tate's £82m meets expectations

BY ANDREW GOWERS

Tate & Lyle, the sugar group which is currently trying to acquire British Sugar, its only rival in Britain, yesterday reported a 6.3 per cent increase in pre-tax profits for the year to September 27, in which a sharp fall in earnings from UK cane refining was more than offset by profit growth elsewhere.

However, Mr Neil Shaw, chairman, held out the prospect of significant improvement in some of the company's less profitable areas during the current business year.

Pre-tax profits totalled £81.8m on turnover of £1.65bn against comparable 1985 figures of £76.7m and £1.63bn. Earnings per share rose to 57.3p from 55.3p, and the dividend was raised by 1p to 23p.

The profit figure was broadly in line with City expectations, although analysts said there was some disappointment at the dividend, and Tate shares were marked down 4p on the day at 580p.

Mr Shaw highlighted the collapse in earnings from Tate's core UK sugar business, which he said resulted from a price war involving British Sugar and independent sugar merchants, and from an "inbuilt disadvantage suffered by cane producers under the EEC sugar regime."

UK sugar production and refining profits were a mere £4.1m on turnover of £433.8m, compared with £12.3m and £455.5m in 1985.

In addition, an extraordinary loss of £12.9m was charged below the line to reflect costs incurred through the installation of new packing machinery at its two UK refineries.

But Mr Shaw confirmed that margins had improved dramatically in recent months following an end to the price discounting. He also said the European Commission, which has been reviewing cane sugar margins over the last year following strong pressure from Tate, would be proposing a solution to Tate's UK problems in the next three to four months.

Company executives said this might involve adjustments to storage levy and rebate payments under the EEC regime.

Tate said it remained "optimistic" about the outcome of a Monopolies and Mergers Commission inquiry into plans by it and by Ferruzzi, the Italian agricultural group, to acquire control of British Sugar from its parent, S. & W. Berisford, the commodity group.

However, it said that if the planned British Sugar acquisition were to be blocked, it would maintain its position in the UK market and would continue to "search for another major business which will provide an additional dimension to the group's activities."

In sugar trading, another problem area in recent years, Tate reported a significant improvement, thanks partly to the resolution of a long-standing dispute with Indonesia over an unfulfilled sugar contract which caused the company to write off £10.4m two years ago.

In North America, the company reported a promising first year at the Western Sugar Company, its newly-acquired sugar business in the mid-Western US, and strong profits growth at Donlee Manufacturing Industries, its automotive parts subsidiary.

For the future, Mr Shaw spoke optimistically about the prospects for sucralose, the non-calorific sweetener which Tate has been developing for the past few years. However, profits from this are not expected to show in the company accounts until 1990.

See Lex

Morceau falls below expectations

By Philip Coggan

PRE-TAX PROFITS at Morceau Holdings, the specialist fire protection group, will be well below expectations, when the company announces its results next week for the year to September 30. The group's shares fell 60p to 148p yesterday on the news, wiping out 30 per cent of its market capitalisation.

A major problem was the difficulty in finalising the account for work at the new headquarters of Hongkong and Shanghai Bank; terms have now been urged which are well below those envisaged at the time of the interim statement. In addition, new entrants into the market made business extdemely competitive.

Pre-tax profits are likely to be only £1.9m, compared with £3.1m in the previous year, and the directors are unable to forecast whether the current year will see any improvement. However, Aaronite, the company acquired in March this year, has made its first contribution.

Although a substantial company recently expressed interest in acquiring Morceau, discussions have now been terminated.

Pharmaceuticals boost for AAH

A SHARPLY higher contribution from its pharmaceutical supplies activity enabled AAH Holdings to lift its profits from £6.81m to £8.78m pre-tax for the first six months of the 1986-87 year.

The directors said yesterday that earlier publication of the interim report made it less easy to predict the year's outturn as the fuel division was only just beginning its main trading period.

However, pharmaceuticals, builders' supplies and transport were trading strongly and they were confident that the overall result would be satisfactory. In the past the interim report covered a nine-month period.

For the six months to September 30, 1986, group turnover improved from £460.77m to £488.61m and at the trading level profits advanced by 15 per cent to £10.19m.

Interest charges were cut by £630,000 to £1.41m but tax took £350,000 more at £3.07m to leave net profits £1.62m ahead at £5.71m. The amount attributable to the National Coal Board and related companies rose from £584,000 to £888,000.

Profits available to ordinary shareholders worked through at £4.78m (£3.46m), equal to earnings of 9.7p (7.54p) per 25p share.

The interim dividend is being increased for the 18th successive year to 3.24p (2.94p) net.

The pharmaceutical division, taking in the Vantage retail outlets, increased its turnover by 17 per cent to £302.79m and trading profits by 21 per cent to £6.4m. Strong cash generation further reduced borrowings and had a beneficial effect on group interest charges.

In the second half the division is continuing to trade buoyantly and a further expansion of profits is expected, though not necessarily at the same percentage rate as in the first half.

Fuel distribution trading profits fell to £909,000 (£1.09m). There was a reduced demand for solid fuel with buyers reluctant to stock to levels of previous years. Sales here were down by 12 per cent at £131m.

● comment

The £2bn wholesale pharmaceutical market looks like a battlefield with AAH emerging as the strongest contender, after seizing the advantage of Macarthy's disarray to win its present 40 per cent share. The other major player, Unichem, has, because it is a co-operative owned by retail pharmacists, a special link into the chemist shop market. This inevitably leaves AAH and Macarthys battling over the hospital supply contracts. So while AAH's pharmaceutical gains are valuable they may not be permanent. The opposition is apparently preparing to fight back and this could make it hard for AAH to prove [illegible]. On the other side, the recovery after the miners' strike proved shallower than expected with prices poor and demand uncertain. The [illegible] compensation [illegible] effect of this on the attributable line as it reduces the NCB's minority claim. Otherwise AAH's interim gained from the lower interest charges (this should be worth £1m over the year) and a five-point fall in the expected tax rate to 35 per cent. Forecasts have been set at £22m for the year which has the shares at 258p trading on a prospective p/e of 10½.

Burton shares bought

MR RALPH HALPERN, chairman of Burton Group, yesterday exercised options to buy 54,000 shares in the company at 20p a share, and director Mr Laurence Cookin exercised options to buy 43,000 at 22p. Both are retaining the shares.

Mr Michael Wood, finance director, bought 10,000 shares in the market at 263p a share. Burton shares closed last night at 260p, down 4p on the day.

Blue Circle to sell its Australian cement stake

By Clay Harris

Blue Circle Industries yesterday signalled its intention to pull out of the Australian cement market.

The building materials group and Australia's Broken Hill Proprietary announced that their holdings in Blue Circle Southern Cement were up for sale, either jointly or separately, if satisfactory offers were received.

Each holds about 41 per cent of the Australian company, stakes separately worth about £97m at yesterday's market price.

Blue Circle said yesterday that it had decided some time ago to shift investment priority to other areas, especially North America. It was no longer interested in investments in which it did not have management control.

Its approach to BHP, under the terms of an agreement dating from the merger of the two companies' cement interests in the 1950s, resulted in yesterday's joint statement.

Blue Circle expected a joint sale to attract better offers, although no discussions were underway. Under Australia's takeover code, a buyer of 20 per cent or more would have to make a comparable offer to all shareholders.

BCSC accounted for £12m of Blue Circle's £13.2m pre-tax profits from Australasia in 1985. In that year, it reported pre-tax profit of A$62.9m (£28.6m) on turnover of A$255.8m. Its market share is 65 per cent in New South Wales; 31 per cent in Victoria, and 47 per cent in Western Australia.

Blue Circle said that the planned sale had no connection to the stake of 7.5 per cent that Adelaide Steamship had built up in the UK company.

Robert Kennedy writes from Sydney: Yesterday's announcement follows the appointment to the BHP board of Mr Robert Holmes à Court and Mr John Elliott, who have expressed the view that BHP should sell its peripheral activities to raise cash.

Northern Foods shows small rise as restructuring nears completion

BY ALICE RAWSTHORN

Northern Foods, the Hull-based food producer, watched its share price fall by 8 to 259p yesterday after the announcement of a modest rise in pre-tax profits of 7 per cent to £37.1m in the first half of the financial year.

The company is approaching the end of a restructuring programme in which it has expanded traditional activities in meat, dairy and bakery production in the UK, while rationalising its interests in the US.

Group turnover fell to £730.5m (£757.7m) in the six months to September 30 1986, chiefly as a result of the sale of the two Prestige subsidiaries in the US. The company's chairman, Mr Christopher Haskins — who took over from Mr Nicholas Horsley in September — estimates that turnover will be reduced by £500m in a full financial year once all the US disposals are completed. Profitability, however, will improve markedly because of loss elimination.

All comparative figures have been adjusted to account for the merger of Mayhew Foods.

In the dairy division liquid milk fared well, buoyed by the recently acquired and exchanged businesses from Express Dairies and Unigate. The yoghurt and cream markets were more difficult, however, because of intense price pressure. Turnover increased to £227.4m (£206.7m) as did profits after interest to £13.4m (£13.1m).

Milling and baking benefited from the growth of Fox's Biscuits, but suffered from problems at Park Cakes where a change from branded to private label products caused temporary difficulties. Turnover rose to £95.3m (£70.2m) and profits after interest to £5.7m (£5m).

In the meat division turnover fell to £291.6m (£351.7m), largely because of the US disposals. In the UK turnover rose to £149.3m (£127.9m). The pie and sausage markets suffered, but hava recovered in recent months. Bowyers benefited from rationalisation. Overall profits after interest increased to £11.2m (£10.6m). A new £8m prepared foods plant will open in the spring with sales capacity of almost £20m.

Earnings per share rose to 10.75p (10.1p) and the board proposes to pay an unchanged dividend of 4.25p a share.

The company's cash position has improved chiefly because of the US disposals. By the end of the year gearing should have been reduced to 20 per cent. Northern Foods intends to sell its KeyServ carpet and upholstery cleaning business in the US. Mr Haskins anticipates only a few further disposals, of marginal businesses in the UK.

Northarn Foods is now in a position to embark upon further acquisitions. According to Mr Haskins activities will concentrate on the UK in traditional territory such as dairy, milling and baking and will be "opportunistic, as always."

See Lex

Imtec losses increase but merger talks make progress

BY PHILIP COGGAN

Imtec Group, the USM-quoted microfilm equipment company, has announced delayed preliminary results for the year to March 31, showing pre-tax losses of £972,000, up from £581,000 in the previous year.

The company also revealed that it was in an advanced stage of merger talks with Laser Scan International, a Cambridge-based but American quoted group, and Harper and Tunstall, a private Wellingborough-based engineering drawing office service company.

Laser, which is traded on the US over-the-counter market, has an annual turnover of about £4.5m and Harper and Tunstall has turnover of about £13m.

Problems in the development of two products affected Imtec last year. Although the AO camera was launched 15 months ago, technical difficulties affected sales and, despite the fact that these have now been remedied, the result was a trading loss of £257,000 (£304,000 profit).

The Imtec 6000 plain-paper copier took longer to develop than expected and this resulted in additional research and development costs last year of £808,000 (£99,000). After a tax charge of £5,000 (£208,000 credit) and an extraordinary debit of £235,000 (£32,000) relating to stock writedowns, the loss per share was 8.4p (3.6p). Turnover was lower at £9.3m (£10.46m).

The chairman said that the second-half figures were a considerable improvement on the first six months, although this was partly seasonal, and this year's interims should show a reduced loss. Orders were now being received for the Imtec 6000, but the effect on sales should not show up until the next financial year.

Imtec does not consider that the recent increase in the share price is justified by trading trends.

The company instituted drastic economies during the year but the gearing level remains well over 100 per cent. The shares closed 1p down at 18p.

CU buys Portuguese insurer

By Nick Bunker, Insurance Correspondent

Commercial Union, one of the UK's biggest composite insurers, has bought 70 per cant of the equity of a Purtuguese non-life insurance agency, Rawes and Pinto Basto Lda.

The acquisition comes against a background of increasing interest among the UK's composite insurance companies in building up their business in southern Europe.

Mr Tony Brend, CU's chief executive, said Portugal's entry into the European Community presented "significant opportunities" for the insurance industry.

Leading British insurance companies have begun to see Spain and Portugal as attractiva areas for expansion because they are relatively under-insured and easier to enter than a more heavily-regulated market such as West Germany.

CU itself launched a Spanish life assurance operation, CU Bida, last January.

Competrol now has 29.9% in Moorgate

Athens-based Competrol Establishment has increased its stake in Moorgate Investment Trust from 10 per cent to 29.9 per cent.

Competrol, an affiliate of the Olayan Group of Saudi investors, said it viewed the stake as a long-term holding. Mr Mark Thomson, Moorgate chairman, is also managing director of Olayan Europe, a subsidiary of Olayan Group.

The 19.9 per cent stake bought by Competrol was formerly owned by the 1928 Investment Trust.

North West Oil placing to raise £1m

By Lucy Kellaway

North West Oil and Gas, the Northern Ireland onshore oil and gas explorer, said yesterday that it was diversifying from oil into minerals exploration, raising £1m through a share placing and changing its name to North West Exploration.

The money will be raised through a newly formed subsidiary company, North West Minerals. After the placing Trans Continental Holdings will have a 29 per cent stake in the company.

North West said it was entering into a joint venture with Aquitaine Mining, Cluff Mineral Exploration and Silvermines to look for Gold in Co. Donegal.

Listing for Coastal Cor.

BY MAX WILKINSON

THOSE WHO failed to tap into the British Gas share offer by the closing date for share applications are being offered the chance to buy into a gas company of a remarkably different character.

Coastal Corporation, one of the five largest gas pipeline companies in the US, yesterday obtained a listing on the London Stock Exchange.

With an operating profit of $689m (£481m) on turnover of $7.3bn last year, Coastal is smaller than British Gas, but in the same league of size.

However, the yield of 1[illegible] per cent is less than a fifth of the prospective yield on the British Gas shares at the offer price.

Coastal, whose operations include coal mining, refining and the production of oil and gas and trucking, as well as pipeline operations, has traditionally put its emphasis on growth.

Kevin Brown on the ruling over European Ferries stake

P&O given the all clear

THE Monopolies and Mergers Commission yesterday ruled that the 20.8 per cent stake in European Ferries held by Peninsular and Oriental Steam Navigation (P & O) was not *against the public interest.*

An inquiry chaired by Sir Godfrey le Quesne unanimously concluded that the scope for the two companies to combine to restrict or limit competition was limited. The Commission made no comment, however, on the situation which would exist following a full bid for European Ferries by P & O.

Tha Commission reports that in January this year P & O acquired a controlling interest in European Financial Holdings, which held 20.8 per cent of the shares of European Ferries and 16.1 per cent of the voting rights.

As a result of the acquisitinn, Sir Jeffrey Sterling, chairman of P & O obtained a seat on the board of European Ferries. Both companies agreed during the course of the inquiry that P & O was able to exert a material influence on the policy of European Ferries.

The Commission say this influence was responsible for the inclusion in European Ferries 1985 occounts of a £15m provision for the fall in valua of the group's US property portfolio.

The report stresses, however, that although the two companies had ceased to be distinct from each other, the boards continued to operate independently. This meant that P & O could not force through measures which European Ferries believed would harm its vital interests.

The Commission says the main areas of overlap between the two companies were in ferry services across the North Sea and to Nurthern Ireland, and in the provision of port facilities.

The inquiry team looked at services to Belgium, Holland and France as a whole, because it believed many customers regarded the routes as substitutes for each other. There has been no direct competition in the short sea passenger market to France since last year when P & O sold its Normandy Ferries subsidiary to European Ferries.

The Commission reports that P & O has only 3 per cent of the Continental passenger market, compared with 31 per cent for European Ferries. The small additional increment represented by P and O's market share was not likely significantly to increase European Ferries' market power, it concludes.

European Ferries has 42 per cent of Continental freight ferry services, and P & O 10 per cent, the report says. In the Dutch sector, P & O holds 23 per cent of the market, compared with 21 per cent for European Ferries and on Northern Ireland routes P & O's share is 26 per cent compared to 24 per cent for European Ferries.

The Commission says the two companies would be unlikely to succeed in an attempt to raise prices on these routes because of the influence of Sealink, the other large operator, and at least 12 other ferry companies holding 32 per cent of the market between them.

The report says road hauliers have a wide choice of services, and there appeared to be no barrier to new entrants coming into the market.

On Northern Ireland rontes, the three major companies held 80 per cent of the market and there had been "a history of collusion emongst operators." An attempt to increase prices would be likely to make the market more attractive to new entrants, however.

CONTINENTAL FREIGHT FERRY SERVICES MARKET SHARE

Netherlands — total market 590,000 units/year:		
EuroFerries	Felixstowe-Rotterdam	21%
P&O—Ferrymasters	Ipswich-Rotterdam	12%
P&O—North Sea Ferries	Hull-Rotterdam	11%
Sealink	Harwich-Hook of Holland	8%
Others		48%
Belgium — total market 755,000 units/year:		
EuroFerries	Dover-Zeebrugge	33%
EuroFerries	Felixstowe-Zeebrugge	6%
RMT (now in consortium with EF)	Dover-Ostend	20%
North Sea Ferries (P&O)	Hull-Zeebrugge	7%
Others		34%
France short sea — total market 460,000 units/year:		
EuroFerries	Dover-Calais	35%
EuroFerries	Dover-Boulogne	8%
Sealink	Dover-Calais/Boulogne/Dunkirk	43%
Sealink	Folkestone-Calais/Boulogne	6%
Sally Line	Ramsgate-Dunkirk	8%
Total of East/South-East Continental market 1.81m units/year:		
EuroFerries		34%
RMT		8%
P&O		10%
Sealink		16%
Others		32%

Source: MMC study

The report says a policy of predatory pricing designed to drive competitors out of the market would be unlikely to succeed on the Continental routes because many of the smaller operators were strong enough to withstand a price war.

On the Northern Ireland routes, competitors could re-enter the market once prices had risen to market levels.

The Commission saya some measure of rationalisation of ferry services as a result of the P & O shareholding would not be surprising because of the current overcapacity in ferry services.

It says some developments are likely to taka place irrespective of the merger, however, while others would be unlikely to occur because they would result in detriment to either P & O or European Ferries.

The report refers specifically to claims by Ipswich Port Authority that P & O's North Sea Ferries service could be moved from Ipswich to Felixstowe, the nearby container port owned by European Ferries.

The Commission concludes that there would be no advantages to either company, and European Ferries was likely to resist such a move.

In addition, the report deals with a claim by Sealink that P & O's Ferrymasters and Pandoro subsidiaries might make preferential use of European Ferries' vessels.

The report notes: "European Ferries made it clear to us that it would stand to lose valuable business from haulage operators other than Ferrymasters and Pandoro if it were to offer these two companies preferential treatment. If it were to charge them less than the commercial rate the outcome would be a substantial loss to European Ferries."

The Commission says P & O's present shareholding is not likely to lead to either of these consequences. It makes clear, however, that these conclusions do not cover the consequences of a takeover of European Ferries by P & O.

The report concludes: "The present merger situation resulting from P & O's ability materially to influence the policy of European Ferries does not operate against the public interest and may be expected not to do so."

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UK COMPANY NEWS

Steetley and Notts Brick in merger talks

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

TWO OF Britain's biggest manufacturers of quality facing bricks, Steetley and Nottingham Brick, are in merger talks.

The move was revealed in a brief statement from the Steetley board late last night.

This said that "in the light of the recent upward movement in the share price of Nottingham Brick, the board of Steetley announces that it has entered into discussions with the chairman of Nottingham Brick regarding the possibility of a recommended merger of the two companies."

Steetley is Britain's second largest manufacturer of high-quality facing bricks after Hanson's Butterley.

It has an output of 400m bricks a year compared to Butterley's 450m to 500m and Nottingham Brick's 100m.

The total market for facing bricks was 2,500m in 1985, and has been growing rapidly in response to demand from housebuilders catering for a more quality-conscious market.

Steetley—which made profits of £36.84m on a turnover of £408.7m last year—has invested heavily in new plant and is now one of Britain's most up to date brick makers.

The £12m Parkhouse automated brick making factory it opened earlier this year is believed to be the most advanced in Europe.

It is now on full commission producing 84m "designer" bricks a year to cater for the growing demand for unusually coloured high-quality facing bricks from housebuilders.

Nottingham Brick — which makes about 4 per cent of the facing bricks used in the UK— reported reduced first half profits earlier this year, down to £730,000 from £808,000. Sales in the first half were also down, from £4.53m to £4.42m.

The news came late yesterday afternoon, near the end of share dealings. Steetley closed unchanged at 465p, while Nottingham Brick were up 13p on the day at 235p.

Turner ups AE stake to 44% as end draws near

BY DAVID GOODHART

Turner & Newall last night increased its stake in AE to just under 44 per cent, underlining the fact that this bid—which closes tomorrow—is drawing towards its second nail-biting finish in six months.

Since T & N launched its first bid in June, valuing AE at £196m, it has increased its offer twice and now values AE at just over £280m.

Along the way it failed to win control of AE by one percentage point in September; instigated the unprecedented Takeover Panel inquiry into non-disclosure of concert party share purchases in AE which led to T & N being allowed to bid again; and now faces a rival bid from Hollis Group, representing Mr Robert Maxwell's new-found interest in engineering.

T&N's rapid shift out of Africa and asbestos since the dark days of 1982 has been one of the great recent success stories of UK industry. Most analysts, however, have been left in little doubt that T&N needs AE—or a similar acquisition—to reduce further its reliance on those areas.

Its claims for the industrial logic in automotive components arising from a merger have not been taken very seriously but T&N's general management skills are highly respected. T&N outperforms AE on most financial ratios and brokers Panmure Gordon say its productivity record is also better—sales of £30,000 per employee compared with £25,000 for AE.

T&N's management record undoubtedly makes it favourite to win control of AE despite Mr Maxwell's intervention. However, two question marks remain. The first — over T&N's continuing vulnerability to asbestos litigation — has been pressed by AE from the start of the bid.

T&N has kept its cool and pointed out that since 1980 expenditure on asbestos claims has averaged 1 per cent to 2 per cent of turnover a year, but this has fallen substantially since 1985 when insurance companies were forced to cough up and the Wellington agreement spread liabilities among several asbestos producers.

However, since the intervention of Hollis—and in particular the Broad Street public relations group—the asbestos issue has been stirred up again with renewed vigour. Yesterday AE proclaimed triumphantly that Ms Donna Dagnell, assistant Attorney General to the State of Illinois, had told them that Illinois would be proposing to next week's National Association of Attorneys General that all US Attorneys General should co-operate in litigation against asbestos manufacturers.

T&N points out that to date no cases relating to property damages—which is what the US states are claiming—have been won. It adds that it has ample insurance to deal with the litigation problem.

But if asbestos has been an irritant, Mr Maxwell could be a real pain.

Following Mr Maxwell's statement that he would not be assenting his AE stake (currently 29 per cent) to T&N, the prospect of yet another City controversy over the bid is being seriously discussed.

It seems highly unlikely that the Takeover Panel will turn a blind eye if Hollis does sell its stake to T&N in the event of T&N winning more than 50 per cent of AE.

However, if the Panel does insist that Mr Maxwell must stick to his word then it could be ensuring a stalemate. And if T&N cannot go over 75 per cent it will be prevented from taking advantage of the £8m a year of tax savings over the next three years it should acquire with AE.

AE has already successfully reduced its exposure to the declining "after-market" in automotive components and continues to increase exports, even to China. It is just what T and N needs and — panel allowing — most analysts believe they will probably pull it off.

United Spring lifts profits 54% to £1.4m

United Spring & Steel Group pre-tax profits for the year to September 30, 1986, amounted to £1.43m compared with £929,000, an increase of 54 per cent. In both years the results of Turbo Tools (Hull), acquired in September 1986, are included.

Turnover was £35.15m (£31.07m). Net profits were £950,000 for earnings of 5.94p per share.

At the time of the interim statement some of the disparity between the level of interim and final dividends, was removed, and therefore an increased interim of 0.5 per share (0.3p) was declared.

As indicated at the time of the acquisition of Turbo, it was decided to recommend a final dividend of 1.5p per share (1.2p), making a total of 2p compared with 1.5p, an increase of 33 per cent.

There were exceptional costs in excess of £100,000.

During the year shareholders approved a share option scheme for senior executives. Options have been granted to a total of 320,000 shares.

James Latham surges midway to over £1m

From turnover up at £20.48m, against £17.89m, pre-tax profits of James Latham, timber merchant, surged from £406,000 to £1.03m for the six months ended September 30, 1986.

After tax of £127,000, compared with £83,000, earnings are shown as being trebled from 11.3p to 34.3p while the interim dividend is lifted to 6p (5p) per share—last year's final payment was 9.25p from pre-tax profits of £1.91m (£1.66m).

The directors said the group would earn e satisfactory profit for the year and there were opportunities further ahead for increased business and profitability in the company's chosen field.

After a slow start there had been an upsurge into a higher level of turnover. Meanwhile, the lower level of sterling had contributed to a firmness in UK timber price levels. They added that the outlook for the wood-using industries was good while construction activity was moving forward.

Trading profit was £1.42m (£886,000) and the pre-tax figure was after depreciation £149,000 (£105,000) and interest £241,000 (£375,000).

Dipre to acquire second stockmarket vehicle

BY NIKKI TAIT

MR REMO DIPRE, the property developer who already heads the Fairbriar group, is acquiring a second stockmarket vehicle. He plans to inject Hawthorn Leslie, the electrical distributor—currently part of his privately-owned Starwest Holdings—into Adam Leisure, the loss-making electronic games company, whose USM-traded shares were suspended on Monday.

Mr Dipre acquired Hawthorn Leslie for around £4m after a protracted bid battle in early 1981. The quoted company had received cash following the nationalisation of its shipbuilding assets, and began to diversify into engineering and electrical wholesaling. In the year to end-June 1980, it produced pre-tax profits of £409,000.

The company which Mr Dipre is now proposing to inject into Adam Leisure comprises electrical distributor BCE, J. Dyson, and Briticent International. In the year to end-March 1986, the group made pre-tax profits of £900,000.

Under the deal, Adam chairman, Mr Christopher Rycroft, is selling his 73 per cent stake of 18.3m shares in the toys company to Mr Dipre for around £952,000.

Adam will then issue another 102m shares to a subsidiary of Starwest as payment for Hawthorn. A further 13.4m shares in Adam will also be placed for cash with institutional investors at 8.5p a share to raise working capital.

Mr Dipre will control around 85 per cent of Adam's enlarged share capital, and is offering to buy out existing Adam shareholders at 8.5p a share. But he intends to retain the Adam's USM quote.

Rolph & Nolan improves

THE RECOVERY experienced by Rolph & Nolan Computer Services during the second half of the 1985-86 year continued in the first six months of the current year and for the period the company swung from losses of £25,000 to profits of £141,000 pre-tax.

Furthermore, the improvement in profit is expected to continue in the second half.

The directors said the list of sales prospects had increased considerably as a result of an increase in the sale and marketing efforts and the demand for trading in futures by a wide range of financial institutions.

Turnover for the half year to August 31 1986 declined from £1.36m to £1.1m. Pre-tax profits were after depreciation of £140,000 (£169,000) and, last time, an exceptional provision of £100,000.

Earnings amounted to 3.6p (1p loss) and an interim dividend of 1p (nil) is being paid. The company's shares are traded on the USM.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div	Total for year	Total last year
AAH Holdings	int	3.24	Mar 27	2.94	—	7.8
Allied Colloids	int	1	—	0.7	—	2.5
Birmingham Mint	int	2.5	Jan 12	2	—	6.25
Coalite	int	2.25	—	2	—	7.5
Entertainment Prod		‡ nil	—	1	nil	1
Fitzwilton		1	Jan 16	1	2	2
Grainger Tst		†6.2	—	5	8	6.5
J. Latham	int	6	Feb 13	5	—	14.25
Leeds Group		4	—	3.33*	6.25	5.21*
Northern Foods	int	†4.25	Feb 20	4.25	—	8
Rolfe & Nolan	int	‡1	Jan 29	nil	—	2
Rowlinson Secs	int	0.2	Jan 16	0.18	—	0.72
Tate & Lyle		15	Feb 6	14.5	23	22
United Spring		1.5	Jan 21	1.2	2.0	1.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Hong Kong Bank sells Nat Home Loans stake

Hong Kong and Shanghai Bank, the largest shareholder in National Home Loans Corporation, has sold its entire 6.3 per cent holding in the company.

The bank, acting through Hong Group Nominees, acquired its stake when Home Loans obtained a stock market listing in September 1985. Home loans was Britain's first publicly-quoted provider of domestic mortgages.

The shares have traded below the 100p issue price for most of its public life but have recently recovered to above that level. The share price yesterday closed unchanged at 105p.

Mr Tony Moir, a director, said there had been no difficulties in the company's relations with the bank and it believed Hong Kong and Shanghai was making use of one of the few opportunities to sell at a profit.

The shares are believed to have gone to a small number of institutions. The bank also sold its 6.3 per cent holding in Home Loans 8 per cent convertible unsecured loan stock.

SI back into trading profits

"An encouraging step" towards recovery was achieved by S I Group, manufacturer of drink dispensing and cooling equipment in the six months to June 30 1986 with a trading profit of £137,000 compared with a loss of £206,000 for the previous 18 months. Turnover totalled £4.7m (£17.27m for the period).

There is no interim dividend (in the previous 18 months there was a first interim of 0.435p but no second interim or final payment).

Grainger Trust

A 31 per cent rise in pre-tax profits was announced yesterday by Grainger Trust, property investor and trader, for the year to end-September 1986.

On turnover up by 22 per cent, from £5.84m to £7.13m, the pre-tax result came out at £2.52m (£1.93m), which included results of Owners of Middlesbrough Estate from February 20 when Grainger's offer for it became unconditional.

A final dividend of 6.2p (5p) brings the total for the year to 8p (6.5p).

UK COMPANY NEWS

Ryan makes £27.4m agreed bid for Crouch

BY NIKKI TAIT

Ryan International, the Cardiff-based coal recovery company, is making a £27.4m agreed cash or paper offer for Derek Crouch, the open-cast mining and housebuilding group, in a move which will create Britain's largest private coal company.

The offer is backed by the Crouch directors, and Ryan had by yesterday evening irrevocable acceptances from holders of 50.1 per cent of Crouch's shares — primarily stakes held by Mr Derek Crouch, the chairman, and his family, but also including Ryan's own 5.65 per cent holding in the company.

Following the merger, Mr Crouch, who created the company back in 1938, will retire. The business will be run by the existing management teams, with Mr Chrispian Hotson, Ryan's chief executive, also becoming deputy chairman of the combined group.

On the coal side, Crouch produces about 850,000 tonnes a year from open-cast mines in the UK under three long-term contracts with British Coal. There is a similar sized operation in Pennsylvania, US, where coal is sold on to local utilities. There are also five screening and washing operations for British Coal.

Ryan, by contrast, unearths some 450,000 tonnes from UK coal tips and another 650,000 tonnes from its Belgian operations. It recently acquired a distributor business in south Wales, which it wants to expand, and which Mr Hotson says can contribute valuable washing expertise to the combined group.

The combined group will produce about 2.75m tonnes a year and according to Ryan, also enjoy greater negotiating strength. For 1986, Crouch is forecasting pre-tax profit of £3.9m (£3.1m) while Ryan expects to make £4.7m (£4.2m). Operational cash flow in the merged group — to be called Coal Holdings — will be about £17m and gearing slightly less than 40 per cent.

A question mark, however, hangs over Crouch's non-mining operations. These include an Australian property business, ownership of the "Big Geordie" walking drag line leased to British Coal, and the housebuilding subsidiary in the north-east, which constructs about 100 units a year.

The first is likely to be sold for about £1m; the second will be retained (though it is heavily undervalued in Crouch's books), and the third considered further.

The terms of the offer are 157 new Ryan shares for every 20 Crouch held or 215.9p per Crouch share in cash. The cash alternative is underpinned by County Bank, and the offer will virtually double Ryan's share capital issued.

Yesterday, Ryan shares dipped 1p to 28p on the news while Crouch lost 7p at 211p.

Coalite £1.2m up at six months

THE Coalite Group, which recently expanded its fuel distribution activities via the £99m acquisition of the Yorkshire-based Hargreaves Group, yesterday reported a £1.17m increase in first half profits to £14.41m pre-tax.

Earnings rose by 1.8p to 10.73p per 25p share and the interim dividend is being stepped up from 2p to 2.25p net.

The directors, headed by chairman Mr Eric Varley, a former Labour Energy and Industry Secretary, said in their interim report that the most significant feature of the year to date was the acquisition of Hargreaves.

They pointed out that it provided Coalite with a firm basis for expansion and growth. Senior management of both sides were working together to bring about a successful integration of the combined group. Hargreaves results would be consolidated from November 1.

Turnover for the six months to September 30 1986 totalled £182.47m (£209.75m) but at the operating level profits increased by £249,000 to £9.97m—the group's interests range from fuel manufacturing to sheep farming on the Falklands Islands.

Pre-tax profits benefited from a £918,000 increase in interest income which rose to £4.4m. There was also a £380,000 reduction in the tax charge to £5.18m leaving net profits at £9.23m, an improvement of £1.55m over last time's £7.68m.

On the outlook, the directors said subject to the usual hazards of winter weather and consumer demand, they expected a satisfactory outcome for the year as a whole.

Coalite, which manufactures Britain's best-selling brand of smokeless fuel, launched its bid for Hargreaves in July. It increased its terms in October and finally won the contested bid in November.

● comment

Winter is normally the key period for Coalite and all the more so this year as the company strives to integrate Hargreaves into the group. Solid fuel did not benefit this November from a price rise and the previous first half was boosted by restocking after the miners' strike so the savings from the closure of the Askern works were largely cancelled out. Any improvement in that division will thus depend on this winter outstripping last year's fearsome climatic conditions. Hargreaves will be in for five months of the full year, probably contributing £4m-£5m to trading profits but cutting back the interest receivable figure, which was largely responsible for the increase in first half pre-tax profits. With most divisions performing well the enlarged group should make £22m pre-tax this year, which means that the shares at 259p, look far from overpriced on a prospective p/e of 8.5, considering the growth potential.

Birmingham Mint spends £7.3m on acquisitions

By Nikki Tait

Birmingham Mint, the coins to electrical components group, yesterday announced two acquisitions — an electrical contacts business and a metal presswork operation — for a total of £7.35m. The deals will be funded respectively by a rights issue and a vendor placing.

News of the acquisitions accompanied interim figures from the group. These showed pre-tax profits had risen 31 per cent to £936,000 in the six months to September 30.

The larger deal is the purchase of S. J. & E. Fellows, a subsidiary of Centreway Industries, for £4.25m. The price will be met by the issue of 2.5m Mint shares, which have been placed with institutions—notably 3i and Royal Insurance—at 153p a share. A further £400,000 will be paid in cash.

Fellows, which makes around half its £5m sales from products used by institutional catering establishments, has warranted profits of £638,000 pre-tax in 1988.

The second deal is the acquisition of the Wembley-based electrical contacts business from Johnson Matthey Metals for a maximum cash consideration of £3.01m. In the year to March 31 1986, sales were £10.4m—or, stripping out the metal content, a gross margin of £4.8m. Birmingham Mint estimates profits at around £750,000.

To finance the second acquisition, Mint is making a 2 for 5 rights issue, involving 2.5m shares at 143p. There is no open offer for existing shareholders in the vendor placing, so the effective clawback over the total paper being issued is 50 per cent.

According to chairman, Mr Colin Perry, the two acquisitions fit well with existing subsidiaries.

Birmingham Mint shares closed down 13p at 163p.

Logitek to join market at valuation of £7.5m

BY RICHARD TOMKINS

Logitek, microcomputers distributor, is to come to the main market through a placing of 2.9m shares at 65p each by Barclays de Zoete Wedd. Its value at the placing price will be £7.5m.

The company supplies the business and professional market with single and multi-user micro-computers, visual display units, printers, networking and communication equipment and other products. It also provides technical services such as installation, contract maintenance and training.

It was formed in 1983 after the management buy-out of EIC, then a subsidiary of a company called Holgate. Turnover and profits have risen rapidly as the product range has expanded and the technical services division has grown. Pre-tax profits in the year to last March were £697,000 on turnover of £7.3m.

The company is forecasting profits of at least £1.05m for the current year, putting the shares on a prospective price/earnings multiple of 9.49 after an estimated 35 per cent tax charge.

Of the 2.9m shares being placed, just over 1.3m are being issued by the company to raise about £612,000 after expenses. Another 875,000 shares are being sold by management shareholders, with 1.7m being sold by institutional investors and Mr P. Warburton, a Holgate director.

Broker to the issue is Henry Cooke, Lumsden.

EPS turns profit into £1.5m loss

Entertainment Production Services, the USM-quoted marketer of pre-recorded and blank recording tape, saw last year's £146,000 pre-tax profit turned into a loss of £1.5m for the year to April 30 1986. Turnover for the period fell slightly from £3.5m to £3.2m.

The directors reported that the company traded at a loss during the first quarter of the current year, but added that increased turnover and cost savings were expected to improve its position during the second half.

They said that it had been decided to dispose of the company's retail outlets and to concentrate on the more profitable cash and carry units. However the year's figures did not benefit significantly from these changes.

There was an exceptional debit which amounted to £1m and after tax of £1,000 (£9,000) loss per share worked through at 20.57p net, compared with earnings of 2.02p. The company declined to pay a final dividend—last year's amounted to 1p.

Lombard North profit slightly off at year end

Lombard North Central, finance house subsidiary of the National Westminster Bank, turned in slightly lower pre-tax profits of £83.2m for the year ended September 30 1986, compared with £85.7m previously.

However, after lower taxation of £27.5m (£50.2m) and a much-reduced transfer from special reserve of £14.9m, against £22.7m, profits emerged £2.4m ahead at £60.6m.

Sir Hugh Cubitt, chairman, said that the volume of new business had held up well but, as expected, the total financed by "big ticket" leases was lower than in 1984-85, and available margins for this type of business had been unacceptably low.

He added that the leasing of plant, equipment and vehicles continued at a high level, and other forms of credit—hire purchase, conditional sale, personal and business loans—increased by 28 per cent.

After minorities, preference dividends and an extraordinary credit last time of £7.8m, attributable profits came through behind at £57.8m, compared with £61.3m. Earnings per share are shown as 34.7p (35.1p).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1985							
2nd qtr.	108.9	104.5	109	114.9	141.4	3,174	161.7
3rd qtr.	108.4	103.7	104	116.1	145.2	3,124	164.4
4th qtr.	108.4	103.5	105	116.2	177.7	3,122	168.2
1986							
1st qtr.	109.3	102.8	105	118.2	145.4	3,171	166.5
2nd qtr.	108.9	103.5	98	120.0	152.7	3,208	175.6
3rd qtr.	110.6	104.8		122.1	157.4	3,212	208.2
March	109.5	102.8	112	119.7	148.6	3,199	169.5
April	110.8	104.1	94	119.3	152.1	3,200	170.2
May	108.5	103.1	101	118.5	149.8	3,205	172.1
June	107.5	103.4	99	121.7	155.4	3,220	184.4
July	109.9	104.5	102	120.9	158.2	3,223	193.2
August	110.5	104.3	104	122.0	155.2	3,219	201.1
September	111.3	105.6		123.2	158.7	3,193	206.4
October				123.1		3,168	212.8

OUTPUT—By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
2nd qtr.	103.4	105.0	113.5	105.6	115.9	102.1	18.2
3rd qtr.	104.3	102.3	113.3	103.5	114.4	103.2	17.3
4th qtr.	103.7	102.6	113.5	103.1	111.6	102.8	15.6
1986							
1st qtr.	103.0	102.2	115.5	101.9	111.3	103.0	14.2
2nd qtr.	104.2	100.4	114.9	101.9	111.0	102.4	20.0
3rd qtr.	105.3	101.9	117.1	103.8	108.6	103.6	19.0
March	103.3	102.5	115.6	102.0	111.0	103.0	16.3
April	105.0	101.0	118.0	103.0	108.0	105.0	18.7
May	103.8	100.4	114.2	102.0	111.0	100.0	19.2
June	104.1	99.0	112.5	101.0	113.0	102.0	22.1
July	104.7	101.8	116.0	103.0	110.0	101.0	21.6
August	104.8	101.6	117.5	103.0	107.0	105.0	16.0
September	106.4	102.4	117.7	105.0	109.0	105.0	19.3

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
2nd qtr.	120.5	124.8	−124	+1,537	+2,411	97.8	14.32
3rd qtr.	116.3	124.1	−440	+1,447	+1,900	100.2	14.18
4th qtr.	118.9	127.8	−292	+612	+1,893	101.6	15.54
1986							
1st qtr.	116.9	125.7	−1,437	+619	+1,929	101.0	18.75
2nd qtr.	121.8	128.6	−1,579	+379	+750	102.5	19.20
3rd qtr.	123.3	139.1	−3,034	−634	+688	103.3	22.43
April	122.6	123.7	−268	+385	+268	101.8	18.99
May	121.1	131.6	−631	−26	+215	102.1	[illegible]
June	121.8	130.5	−630	+22	+267	102.7	19.29
July	126.3	134.9	−816	−114	+240	102.3	19.88
August	117.0	142.9	−1,514	−714	+180	104.3	19.68
September	126.5	139.5	−885	−85	+268	102.5	22.43
October	123.3	140.6	−885	+65	+134	102.2	21.99
November							22.01

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advcs. %	BS inflow £m	HP lending £m	Base rate %
1985							
3rd qtr.	2.8	15.4	15.5	17.5	1,771	2,274	11.50
4th qtr.	2.9	22.1	12.9	12.7	2,299	3,431	11.50
1986							
1st qtr.	4.1	9.9	19.3	22.2	2,250	7,285	11.50
2nd qtr.	3.1	20.0	18.6	22.5	1,432	7,658	10.00
3rd qtr.	5.9	22.9	15.6	16.9	168	7,811	10.00
April	2.9	21.5	24.3	25.5	756	2,743	11.50
May	4.5	23.2	18.6	22.9	536	2,372	10.50
June	3.1	20.0	18.6	22.5	140	2,543	10.00
July	4.4	26.3	16.5	17.7	399	2,602	10.00
August	5.7	29.1	20.5	15.9	387	2,719	10.00
September	6.6	21.2	15.6	16.9	295	2,678	10.00
October	6.2		15.4		−971	2,814	11.00
November					1,251		11.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdy.	Sterling
1985							
3rd qtr.	174.4	133.1	140.2	376.2	335.5	1,796	82.2
4th qtr.	176.9	132.5	141.4	378.1	333.1	1,717	79.8
1986							
1st qtr.	179.1	122.6	143.4	380.8	343.3	1,613	75.1
2nd qtr.	184.0	120.1	144.7	385.6	344.5	1,645	76.1
3rd qtr.	187.4	121.2	145.2	386.1	345.1	1,622	71.3
April	184.6	121.1	145.3	385.3	347.4	1,756	76.6
May	183.5	120.5	145.5	385.8	349.8	1,739	76.1
June	185.7	124.6	145.8	385.8	351.4	1,622	73.3
July	187.2	128.0	145.9	384.7	347.4	1,469	74.0
August	187.2	120.8	146.3	385.9	348.4	1,461	71.4
September	187.0	122.9	146.7	387.8	345.5	1,554	72.4
October		124.2	146.9	388.4	347.6	1,566	67.8
November						1,817	68.5

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Baker Perkins, Castings, DBC, Godfrey Davis, Erskine House, FKB, Feedback, Fine Art Developments, Holden Hydroman, Hunter Saphir, John Matthews, London & Overseas Freighters, Benjamin Priest, Property and Reversionary Investment, Robertson Research, Christian Salvesen, Scapa, 600 Group, Smith New Court, Tiphook.

Finals: Bega, Fairline Boats, Harmony Trust, [illegible], Royal Bank of Scotland, Saatchi and Saatchi, UK Land.

FUTURE DATES

Interims:

Anderson Strathclyde	Dec 16
[illegible]	Dec 17
[illegible]	Dec 10
[illegible]	Dec 10
[illegible]	Dec 9
[illegible]	Dec 11

Finals:

[illegible]	Dec 11
City Site Estates	Dec 11
[illegible]	Dec 10
Flexello Castors and Wheels	Dec 15
Harris (Philip)	Dec 10
Johnson and Firth Brown	Dec 11
Lovell (Y. J.)	Dec 17
[illegible]	Dec 12
Sorge	Dec 18

مكبرة من الأصل

UK COMPANY NEWS

All-round growth boosts Allied Colloids 55%

BY ALICE RAWSTHORN

Allied Colloids, manufacturer of industrial chemicals, yesterday announced a 55 per cent increase in pre-tax profits to £12.75m for the first half of the financial year after a strong performance from every area of activity.

Given the so high a proportion of sales—around 80 per cent—is generated overseas, Allied Colloids has traditionally been vulnerable to exchange rate fluctuations. In the first half of the year adverse exchange rates, specifically the US dollar, cost he company £1.4m in lost profits. The currency situation should bem ore favourable in the second half, however.

The only problematic area for Allied Colloids was in the oil services sector, where business suffered because of the decline in industry activity following the fall in the oil price. But this area accounts for a relatively small proportion of sales.

Sales growth was rather stronger overseas than in the UK. In the six months to September 27 overseas turnover rose to £53.72m (£45.25m), while in the UK turnover increased to £12.35m (£10.84m). Operating profits rose to £13.12m (£8.78m).

Earnings per share increased to 6.15p (4.27p) and the board proposes to pay an interim dividend of 1p (0.7p).

The company's cash position has improved considerably. Interest payable fell to £371,000 (£548,000). Gearing is expected to be lower at the end of the current than the last financial year.

Allied Colloids is continuing its capital expenditure programme. It proposes to invest a total of £10m in the course of the current year. The company's speciality chemicals plant in Bradford, Yorkshire will receive a large chunk of this investment.

In its interim report to shareholders the company reported continued growth in demand for its products and anticipated further growth in the second half, providing sterling does not strengthen significantly.

● comment

The rationale behind Allied Colloids activities is that by spreading its speciality chemicals between a wide range of products and sectors, it can emerge unscathed from sudden slumps in any individual area. This time around, oil services excepted, every area of activity has blossomed and profits have surged ahead accordingly. The outlook for the second half looks even brighter. Raw material costs have fallen, sterling has weakened against all the relevant currencies, volume sales the strong end the progress of new products—such as the super absorbent polymer, Salsorb — has only just begun. The shares have raced ahead in recent weeks and ended yesterday up 1p at 240p. Analysts anticipate profits of £28.5m for the full year producing a prospective p/e of 17, at a premium to the sector, but justifiably so. The only potential problem for Allied Colloids is, predictably, currencies. But the company is much more adept at hedging than it used to be.

Smith & Nephew profit up by 22.5%

Smith & Nephew Associated Companies, the medical and healthcare company which produces Nivea and Elastoplast, lifted pre-tax profits for the nine months to October 4 by 22.5 per cent to £58.2m on turnover of £350.2m against £328.7m.

Its largest ever acquisition, of the US company Richards Medical for £193m, was completed on October 17 and is not included in the figures.

Profits for the third quarter improved from last time's £17.07m to £21.2m.

Net cost of borrowings for the nine months was lower at £200,000 (£3.9m) and attributable profits of related companies slightly higher at £5.8m (£5.3m). After higher tax of £19.4m (£15.9m), earnings per share, adjusted for May's scrip issue, stood at 4.68p, up from last time's total of 3.94p.

The board has invited Mr Leon Fern, president of Smith & Nephew of the US and Mr Jack Blair, president of Richards Medical Company, to join the group's management executive.

Leeds expands 18% to £2.4m

THE profit improvement in the first six months at Leeds Group, textiles, oil and gas production and asset leasing concern, was maintained throughout the year and for the 12 months ended September 30 1986 the taxable figure was 18 per cent higher at £2.37m, against £2m.

Turnover slipped to £14.16m (£14.46m), but the trading surplus rose from £2.44m to £2.79m. Pre-tax figure was after slightly reduced depreciation of £417,000 (£431,000).

Mr Robert Wade, chairman, said that the fluctuations in exports of the wool textile industry were more than compensated by buoyant demand from the UK retail sector.

Mr Wade explained that the year's turnover reduction was mainly because of the increasing proportion of non-apparel yarn sales at lower unit values and that although exports were down on 1984-85 they "held up pretty well" during the year under review.

After tax of £902,000 (£859,000) earnings per share were 19.7p (15.8p) while the dividend was again increased, from an adjusted 5.21p to 6.25p, with a final of 4p.

The chairman said the group intends to invest some £1.5m into the Walsden Printing Company—the sole trading subsidiary of recent acquisition Eldennew — and that Walsden would provide e strong base for further progress.

Rowlinson forecasts £1m for full year

Rowlinson Securities produced a marginal improvement in pre-tax profits, from £337,000 to £341,000, in the six months to September 30 1986. However, the full-year profits are expected to be approximately £1m (£820,000).

Turnover in the first six months was down from £4.41m to £4m; tax took £151,000 (£135,000) leaving earnings per 10p share of 2.24p (1.61p) for an increased interim dividend of 0.2p (0.18125p).

APPOINTMENTS

Senior posts at the Woolwich

Mr Peter Robinson and Mr Michael Tuke have been appointed deputy chief executives at the WOOLWICH BUILDING SOCIETY. Mr Robinson, eneral manager (operations), will be responsible for all aspects of retail business operations and Mr Tuke, general manager (finance), will add to his financial role all aspects of resourcing the society's business operations.

*

Mrs Rosalind Gilmore, a director of St George's House, Windsor Castle, has been appointed a non-executive director of MERCANTILE CREDIT CO from January 1. The company is part of the Barclays Bank group.

*

A new management structure is being introduced by the Manchester-based CO-OPERATIVE BANK. The major change is the creation of separate divisions for personal and for corporate banking. The new director of personal banking, which now includes direct financial services as well as branch banking, is Mr Roger Gervin, currently director of domestic banking. For the new director of corporate banking the bank will be looking outside as well as within. Group development director, to include planning, technology, research and human resources, goes to Mr Terry Thomas, currently director in charge of direct financial services, who remains managing director of Unity Trust, the trade union and Co-op financial institution. Mr Chris Rnek becomes chief executive (formerly chief general manager).

*

ALFRED McALPINE has appointed Mr John L. Hallgren as director in charge of Willcocks and Stephens Pipelines, part of the construction division. Ha will be taking over from Mr John Webb who retires et the end of this year. Mr Hallgren joined Alfred McAlpine Services and Pipelines earlier this year, and has recently been in charge of operations in Norway and Finland.

*

Mr Ernest Auerbach, deputy chairman, has become chairman of CRUSADER INSURANCE. Mr Lawrence Arnold, general manager, finance, and Mr John Baney, president, CIGNA international and broker division, join the board.

*

TOUCHE REMNANT NATURAL RESOURCES INVESTMENT TRUST has appointed Mr Truls Persen of Platou Investments, and Mr Peter Kysel, the manager of the company, as directors.

*

BET has made a changa in the chairmanship of its building services company, Boulton and Paul, to take effect on January 1 when the present chairman retires. The new chairman will be Mr John Allan, who joined BET in September last year and was appointed deputy chairman of Boulton and Paul in February. Mr Allan is also the BET executive responsible for home improvements and security services and is chairman of Hometrust and BET Security Services and a director of Anglian Windows. Mr Ray Chenhall, Boulton and Paul's chairman, will be retiring from the board, but will be seconded by BET as an adviser to Business in the Community, specialising in the East Anglian region and in engineering.

*

Mr Martin Ryan has become managing director of KONTAK MANUFACTURING COMPANY (a wholly-owned subsidiary of the EIS Group). He re-joins the group from the Westland Group.

*

Mr Ron H. Campbell, managing director of Babcock Power, UK power group of Babcock International, becomes managing director of BABCOCK ENERGY, following the reorganisation of Babcock Power. He will be responsible for the five operating divisions under Babcock Energy. The core (boiler, nuclear and defence) business becomes Babcock Power division, the other divisions being Babcock Offshore, Babcock Construction, Babcock PED and Babcock Industrial Boilers. The reorganisation comes into effect on January 1.

*

MEDIPLAN INTERNATIONAL has appointed Mr Graham Pooley as group finance director.

Public Works Loan Board rates

Effective December 3

Years	Quota loans repaid by EIP† %	Quota loans repaid A‡ %	Quota loans repaid at maturity§ %	Non-quota loans A* repaid by EIP† %	Non-quota loans A* repaid A‡ %	Non-quota loans A* repaid at maturity§ %
1	—	—	11¼	—	—	12¼
Over 1 up to 2	11¼	11¼	11¼	12¼	12¼	12¼
Over 2 up to 3	11¼	11¼	11¼	12¼	12¼	12¼
Over 3 up to 4	11¼	11¼	11¼	12¼	12¼	12¼
Over 4 up to 5	11¼	11¼	11¼	12⅛	12¼	12¼
Over 5 up to 6	11¼	11¼	11⅜	12	12	12¼
Over 6 up to 7	11¼	11¼	11⅜	12	12	12¼
Over 7 up to 8	11¼	11¼	11⅝	12	12	12¼
Over 8 up to 9	11¼	11¼	11⅜	12	12	12¼
Over 9 up to 10	11½	11⅜	11¼	12	12⅛	12
Over 10 up to 15	11⅜	11¼	11¼	12⅛	12	11¾
Over 15 up to 25	11⅜	11½	11¼	11⅞	11⅝	11¾
Over 25	11¼	11	11	11¾	11½	11½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to inclnda principal and interest). § With half-yearly payments of interest only.

Accountancy Appointments

MANAGEMENT: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

Airline marketing

A lot to learn from supermarkets

Lynton McLain reports on a study which is critical of attitudes to customers

THE WORLD'S airlines could learn a thing or two about marketing from supermarket chains, according to a study just published which strongly criticises the airline industry for focusing on the wrong elements of its business and not doing enough to meet the needs of its customers.

"We believe the airlines need to re-examine their products to find new ways of providing satisfaction to confused and dissatisfied customers. These new solutions need to touch base on all the basic principles of branded goods marketing," the report argues.

Most of the criticism is levelled at European airlines. It is acknowledged that in the US, where domestic airlines are free to choose routes and set fares as they wish in the deregulated market of the past eight years, competitive pressures have sharpened airline marketing in a violently disturbed market.

In sharp contrast, says the report by Grey Advertising in association with Rex Van Rossum*, European airlines still harbour anti-marketing and anti-competitive attitudes.

There are constraints in Europe. Bilateral treaties between Governments exist to operate agreed numbers of aircraft at agreed fares on agreed routes. There are exceptions, as between the UK and the Netherlands, but generally the terms of operation are so set in concrete that there is almost no prospect of innovative schemes to differentiate one airline from another.

The hope of the authors of the report is that marketing will be able to flourish when European air travel is deregulated.

In its attack on the current state of airline marketing, the study criticises airlines for still being operations-led. This approach "seeks to make efficient what you have already got," the authors say. In contrast, a marketing approach seeks to make profitable sales by attracting more customers with better products.

The authors accuse the airline industry of being "somewhat incestuous and inward looking, comparing itself only with itself and not with other industries." Marketing is seen by some airlines as important, but it does not come close enough to the centre of forward planning. Instead, marketing "comes in late and is required to sell what the factory (the airline) makes." (airline journeys).

Some of the best known names in European aviation, such as British Caledonian Airways, are identified as being guilty of anti-marketing attitudes while proclaiming to be innovative. The BCal/Sabene route sharing arrangement on the route between Brussels, Gatwick and Atlanta, US, is criticised. The flights are by a Sabena jumbo jet, using a Sabena crew with some BCal cabin crew. The arrangement is already under pressure from a competitor, British Airways, which has sought to take the route from BCal.

The sharing arrangement is a hybrid, "thrown together as the logical solution to operational problems arising out of dilemmas over airline prices, capacity and load factors." The mathematics make sense, but "it is a marketing nonsense."

In the US, deregulation brought a flood of innovative ideas as airlines fought to stay in business in the face of free competition.

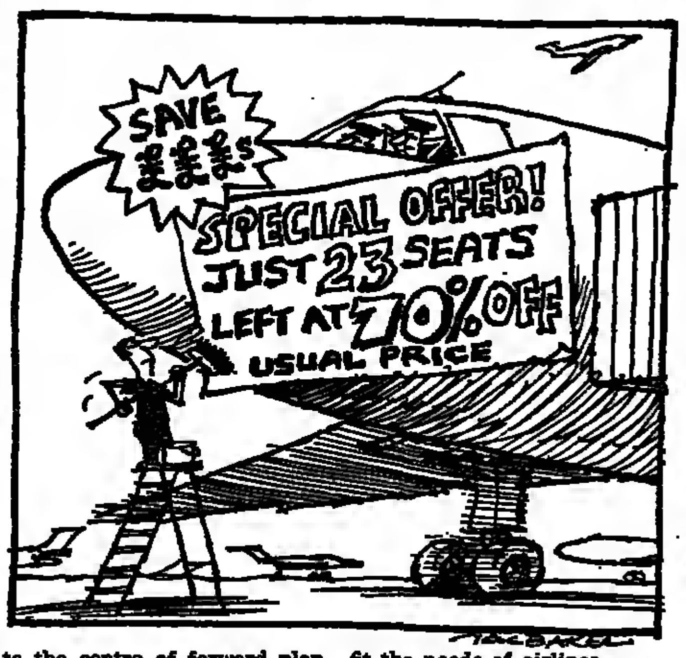
Out of the price wars arose the US "frequent flyer" programme, a brand-loyalty device adapted from the experience of the package goods promoters to fit the needs of airlines.

The low-cost, no-frills US airline Southwest, offered its frequent flyers a "12 pack" scheme. This was a direct lift from the US canned drinks industry, where the concept of a 12 pack was familiar to all home drinkers. Southwest offered its passengers a twelfth ticket free with every 11 tickets purchased.

The authors claim several parallels between airlines and grocery supermarket chains. They are characterised by product and advertising "sameness;" by price wars; operations-led management; fierce competition for market share and high turnover on very low profit margins. Airlines currently have a "standard product" that is non-changing and common across all airlines, in the same way the early grocery supermarket chains sold common branded products.

Some airlines have started to promote their "same" products with some of the techniques of packaged goods marketing. "It is inevitable that more will come," the report argues.

In support of their beliefs the authors even go so far as to suggest that a strongly marketing oriented company, such as Phillip Morris or R. J. Reynolds, could acquire a major airline. "Then we might see some branded marketing happening sooner than anyone expects."



Grocery supermarkets faced a form of deregulation in the 1970s, with the abolition of resale price maintenance. Prices to the consumer dropped rapidly; competition increased and oligopolies emerged. Deregulation in the US domestic airline industry created an oligopoly, as was widely forecast by critics of deregulation. Now airlines in Europe face the prospect of deregulation and a price war.

The supermarket chains fought each other with the "operational" aspects of their business, the number, location and size of stores, but in their early days failed to exploit their potential, says the report.

The supermarkets shifted from doing all the basic things "rather badly," to doing them supremely well. "They are now in line with and somewhat ahead of consumer needs," the authors of the review say, "and they have done it by some very skilful marketing." In the process, they have moved away from an operations-led approach to a marketing-led approach.

The report draws a direct comparison between grocery supermarkets in 1980, the current state of the do-it-yourself superstore and the current state of airline marketing. Their commonality lies in their "preoccupation with distribution and price."

In seeking the right solutions, the airlines will have to do the basic things supremely well. Then they have to seek distinctiveness and competitive advantage through product innovation, thereby putting pricing back into a proper perspective of value and restoring profit margins to a more acceptable level.

In the first days of the grocery supermarkets they were locked into a vicious circle which seemed as intractable as that of the airlines today, the authors say; but a route was found, based on the needs of the consumer and the nature of the products, spurred by fierce competition. "It was a route derived from the need for competitive advantage."

*"*Buffetted by turbulence ... a review of marketing in the airline industry.*" *Available from Jonathan Davies, Grey Advertising, 215-227 Great Portland Street, London W1N 5HD, £250 + VAT.*

Marketing abstracts

Low-cost product use testing. B. J. Kramer in The Journal of Consumer Marketing (US), Summer 86 (8 pages)

The manager in charge of product testing at Gillette describes the approach the company adopts for new product development, centred around four concepts: human use evaluation, R and D guidance, creating early marketing strategy, and keeping costs down. Points to five areas of concern in setting up a product evaluation test — design (in-house and consumer); objectives, eg product improvement; conduct of tests—for instance, in-house testers should be far removed from the R and D department; expense; and risk analysis, ie is it worth doing?

An expert approach to sales promotion management. J. W. Keon and J. Bayer in Journal of Advertising Research (US), June-July 86 (8 pages)

Points out that little information exists on sales promotion tactics and strategies. Given this absence, presents an expert approach, ie consensus of views from sales promotion experts, to particular questions where different promotions with different objectives are concerned; offers strategic and tactical implications, eg "for a major brand, long-term profitability is best served by low-value promotion."

Sales for management. J. Fenton in Accountancy (UK), September 86 (2 pages)

Gives some advice for sale force management; advocates personal development and incentive programmes to retain and encourage the present sales force; advises on monitoring and improving performance. Outlines the "fudge factor" — the result of management not insisting on the sales force working to a similar disciplined system expected of other departments.

International marketing. H. B. Kuscke interviewed in Absatzwirtschaft (Fed Rep of Germany), August 1986 (4 pages, in German, English version available)

In the shape of an interview with the general manager of its Italian subsidiary, provides a glimpse of Beiersdorf, the German international group making creams (best-known is Nivea) and bandages, and looks at the group's approach to international marketing.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p & p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TV commercials rates

Why rampant inflation will alienate leading advertisers

BY FEONA McEWAN

"THE BRITISH advertiser is facing a problem of critical proportions. A problem which deserves the single-minded focus of everyone in the industry."

This view expressed last week by Dick Johnson, marketing services director of Procter and Gamble, reflects a growing concern among advertisers on British television.

The issue is the rampant inflation of airtime costs. In the first half of the 1980s they have risen 68 per cent, outstripping the retail price index by 35 percentage points. The advertising industry is estimating a further rise this year of at least 21 per cent.

According to Johnson, "high airtime costs are a millstone around the neck of British industry"—which is a problem the West Germans and Japanese do not have to contend with. He was speaking to top UK advertisers at a conference in London organised by the Incorporated Society of British Advertisers (ISBA).

In the forefront of delegates' minds was the fact that major packaged goods advertisers, traditionally the stalwarts of the medium, are contemplating reducing their television budgets and taking their business elsewhere, among them Birds Eye Wall's and Woolworth. The fear among advertisers and the television companies is that more could follow.

So what if that happened, it might be asked. When some advertisers fall out, others soon jump in. Since television is the most potent of advertising mediums, it will always have its takers, goes the argument. Certainly all the evidence to date points this way. Surely this leaves the ITV companies with little to worry about?

Not so, warns Johnson, who spoke as an ISBA official as well as on behalf of a company which helped pioneer television advertising. "Long term," he claims, the disillusionment setting in among historically loyal advertisers could backfire on the ITV companies. "Because the cost of mounting an effective national campaign has escalated out of all proportion to what advertisers are used to, many are considering pulling out of the smaller TV regions. Some major advertisers are questioning the efficiency of the medium altogether and transferring funds to other—and, to many, much less attractive—options."

The consumer stands to lose too, says Johnson, since excessive advertising costs divert money from product development and improvement. It also makes a company more vulnerable to the growth of private labels which lessens consumer choice, he maintains. Shorter advertising breaks (10 and 20 second ads are increasing) are depressing the quality of advertising breaks on television and this reduces viewer appeal.

Locked in

The advertisers' beef is not, however, with the television contractors but with the system they are locked into—whereby a fixed supply of commercial airtime cannot cater for a rapidly increasing demand. As a result airtime is sold to the highest bidder, which can mean enormous differences in price. At Thames Television, for example, the lowest price for a 30-second peak time slot can be £500—while the highest can be 70 times greater at £35,000.

What then is the solution? Johnson proposes three moves to stabilise prices in the short-term: an additional one minute's advertising an hour through the day (making it average seven minutes and no more than eight in any one hour) and this taken not necessarily from programming but from programme trailers and links; a faster move towards extra transmission hours; and a recognition from a "highly complacent" ITV to make its programming more innovative as the BBC has done.

Chris Ingram, managing director of Chris Ingram Associates, a specialist media buying company, endorsed the need for more airtime by showing how the current position was undermining the television advertisers' value for money.

He refuted any notion that the expansion of commercial airtime with the arrival of Channel 4 and TVam had delivered a commensurate rise in audience levels. Put another way, television advertising revenue has risen 95 per cent in the last five years, he said, but audience levels are up by only 17 per cent.

The conference heard earlier that average hours viewed per day had fallen some 5 per cent in the past three years. Whichever way you look at it, the advertiser appears to be getting less audience for more money. The potential of direct broadcasting by satellite (DBS), was regarded as still too remote a reality to influence the debate substantially.

Ingrams also attempted to show that there was no shortage of advertisers, both old and new, lining up to use television (another argument of the status quo school). He cited a list of first time users due on screen next year (an eclectic gathering of funeral directors, a food company, mail order company, retailer, sports manufacturer) as well as a batch of existing users coming back for more. Both lists were taken from clients of the Association of Media Independents only.

David Lamb, UK marketing manager of Rowntree Mackintosh and former chairman of ISBA's radio, television and screen advertising committee, argued that to counter the widening gap between the licence fee income of the BBC and the commercial income of ITV, there should be limited advertising on the BBC or privatisation of some of its broadcasting hours. This would be a greater guarantee for the BBC than any amount of the pay-as-you-view alternative proposed by Peacock.

John Perriss, worldwide media director of Saatchi & Saatchi, the advertising group, underlined the yawning financial gap between the two broadcasting systems, estimating that by the year 1992, under the BBC's present licence fee system (accounting for a £7 rise and for 6 per cent annual inflation) that the gap could top £1.25bn.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Baillie Gifford & Co Ltd
5 Glenfinlas St, Edinburgh 031-226 6066

Int'l Ex November 3	492.4	514.6	----	0.65
Japan Ex Nov 26	420.7	438.8	----	0.21
UK Ex November 28	235.7	250.0	----	1.34
Person'l Int'l Dec 15	541.6	570.1	----	—
Personal UK Dec 15	237.5	249.7	----	—
BG Japan (z)	197.0	209.4	+1.4	0.00
BG America (z)	171.8	182.8	+1.6	0.08
BG Technology (z)	156.4	165.4	-0.3	0.00
BG Energy (z)	157.9	168.0	+0.8	2.01
BG Income Growth	198.7	211.4	-0.4	5.42
BG Europe (z)	119.3	127.0	+0.8	0.72
BG Cow & General	52.8	56.2	-0.1	7.11

*Unauthorised

Bishopsgate Progressive Mgmt. Co
15 St James' Place, London SW1A 1NW 01-493 8111

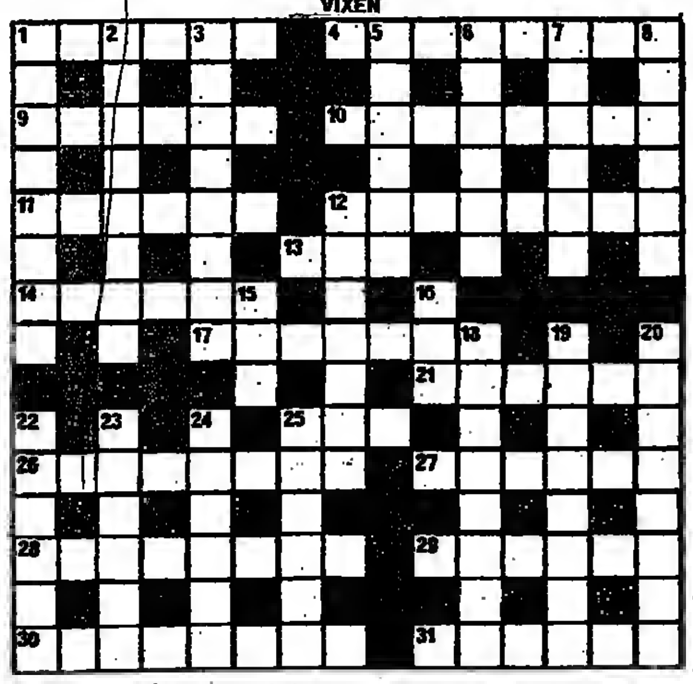
Progressive Inc	1220.0	1305.0	----	0.60
Progressive Acc	1682.0	1790.0	----	0.60
International Inc	1395.0	1495.0	----	0.85
International Acc	1711.0	1891.0	----	0.85
Recovery	214.0	222.5	----	—
Can & Foreign Inc	158.1	167.1	----	1.24
Can & Foreign Acc	169.2	178.8	----	1.24

Brewin Dolphin Unit Tst Mngrs Ltd
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital Fd	138.4	143.5	+0.4	1.07
Brewin Dividend Fd	72.5	75.2	+1.7	7.45
Brewin Int Gth Inc Fd	161.0	166.9	+1.3	3.95

FT CROSSWORD PUZZLE NO. 6,194

VIXEN



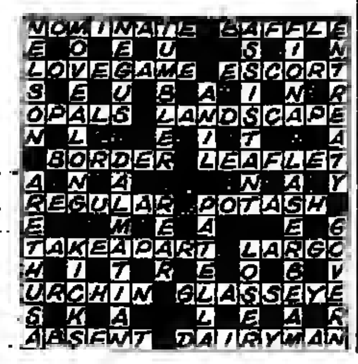
ACROSS

1 Having a definite leaning (6)
4 Putoff getting nice desk renovated (8)
9 Cover for the brave with dependents (6)
10 Male notes about the wine being a good sort (8)
11 Put right, and subsequently beam (6)
12 Swinish supporters (8)
13 Plant group (3)
14 Opt for a penthouse? (4-2)
17 Got a top player to accept a dog (7)
21 A desperado in the main (6)
25 Over a quarter are single (3)
26 Lacking capital (8)
27 A cruel man in general has a distressing effect (6)
28 Altering components as necessary (8)
29 Air filter (6)
30 There's a steady drift at the end of the day (8)
31 A blow with no great force behind it (6)

DOWN

1 Bringing up the rear nevertheless (5, 3)
2 Appear on the level, but misrepresents certain property (4, 4)
3 Donations the public leader doesn't like (8)
5 Give one thousand, not all (6)
6 Soldiers entering take break for unarmed combat (6)
7 Edward's got internal trouble fixed (6)
8 Deal with food in the abstract (6)
12 Nuts are maybe put in containers not designed for them (3-4)
15 Some churchgoers may find it over-brief (3)
16 Drive both ways (3)
18 Silly ass—tried making trouble (8)
19 Repartee is good only in one's youth (8)
20 A few words in condemnation of the delinquent (8)
22 Preference of honoured companion—nothing with ice (6)
23 Neat beasts (6)
24 Steps taken to scrap about fifty (6)
25 A man, quite elderly, was improperly held (6)

Solution to Puzzle No. 6,193



INSURANCES

AUTHORISED UNIT TRUST & INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Sun Life of Canada (UK)—Contd
Pension Plans

Pens. Pens. Account		788.7	—	—
Pens.Mgd Acc—Fd.Accm	347.2	346.5	—	—
Pens. Equity Fd. Acc.	136.6	143.9	—	—
Pens. Pprty. Fd. Acc.	111.2	117.1	—	—
Pens. Fixed Int Fd Acc	114.2	120.3	—	—
Pens. Int Fd Acc	134.8	141.4	—	—
Pens. Money Fd Acc	114.2	120.2	—	—
Pens. Ind-Mkd Sec Acc	98.3	103.5	—	—
Pens. Gtd. Fd. Acc.	112.7	118.7	—	—

Sun Life Unit Assurance Ltd
St James Barton, Bristol BS99 7SL 0272 426911

Managed Acc.	488.7	[illegible]	+2.0	—
Property Acc.	216.2	[illegible]	+0.1	—
Equity Acc.	578.0	[illegible]	+3.4	—
Fixed Interest Acc.	191.8	[illegible]	+1.0	—
Index-Linked Acc.	110.5	[illegible]	+0.1	—
Cash Acc.	182.7	[illegible]	+0.1	—
American Equity Acc.	201.0	[illegible]	+2.9	—
U.S. Bonds Acc.	138.8	[illegible]	+1.7	—
Japan Acc.	221.7	[illegible]	—	—
Pacific Acc.	147.7	[illegible]	+0.8	—
Far Eastern Acc.	425.3	[illegible]	+0.1	—
International Acc.	366.1	[illegible]	+0.4	—
U.S. Dollar Acc.	99.9	[illegible]	-0.1	—
Yen Acc.	128.6	[illegible]	-0.1	—
European Currency Acc.	118.7	[illegible]	-0.3	—
Distribution	172.8	[illegible]	-0.1	8.50
European	129.3	[illegible]	-0.4	—

Sun Life Pensions Management Ltd
(Funds for individual pension contracts)

Pens. Managed Acc.	468.9	[illegible]	+2.6	—
Pens. Property Acc.	182.9	[illegible]	—	—
Pens. Equity Acc.	584.0	[illegible]	+3.5	—
Pens. F. Interest Acc.	195.2	[illegible]	+1.2	—
Pens. Ind. Lnkd. Acc.	110.9	[illegible]	—	—
Pens. Cash Acc.	197.4	[illegible]	+0.1	—
Pens. Amer. Equity Acc.	195.2	[illegible]	+3.3	—
Pens. U.S. Bonds Acc.	155.2	[illegible]	+2.6	—
Pens. Japan Acc.	227.4	[illegible]	—	—
Pens. Pacific Acc.	139.7	[illegible]	+1.4	—
Pens. Far Eastern Acc.	456.1	[illegible]	+1.7	—
Pens. Internat. Acc.	518.9	[illegible]	+1.8	—
Pens. U.S. Dollar Acc.	105.8	[illegible]	-0.1	—
Pens. Yen Acc.	253.6	[illegible]	-0.3	—
Pens. Euro. Curr. Acc.	133.8	[illegible]	-0.6	—

Johnson Fry Plc
Princes Hs, 36 Jermyn St, Ldn SW1Y 6DT 01-439 0924

J. Fry Man M&G Fd (z)	134.8	141.5	+0.5	—
J Fry ManTrgt PnFd(z)	92.4	97.3	+0.2	—
J. Fry Man Vanbrugh Fd.	100.7	106.1	+0.3	—
J. Fry Norwich Union	95.8	100.6	-0.2	—

Knight Williams & Company Ltd
33 Cork Street, London W1X 1HE. 01-409 0271

KW M&G Managed	97.7	102.7	—	—
KW Henderson Man 1	95.3	100.4	—	—
KW Henderson Man 2	96.0	101.1	-0.4	—
KW GRE Managed	99.8	105.1	-0.2	—
KW Schroder Man	97.1	102.2	—	—
KW Provincial Man	92.9	97.8	—	—
KW CIM&G Fil Man	101.2	106.6	+0.6	—
KW Albany Man	98.8	104.0	—	—
KW Crown Man	—	—	—	—
KW Ryl Heritage Man	—	—	—	—

Lamont & Partners Ltd.
48 Charles St., London, W1X 7PB. 01-629 4509

Private Mangd Accum	166.7	175.5	—	—

Management & Executive Ltd
Royal Hse, Sovereign St., Leeds 0532 435200

M&E Rt. Man Fd	136.7	143.9	+0.7	—
M&E GRE Man Fd(z)	121.4	127.8	—	—
M&E Eq Law Man Fd(z)	104.4	109.8	+0.2	—
M&E Crown Man Fd(z)	101.6	106.9	—	—
M&E Schroder Pen Fd(z)	117.2	123.3	—	—
M&E Target Pen Fd(z)	61.0	64.3	+0.2	—

March Financial Management Ltd
2/4 Vale Ave, Tunbridge Wells. TN1 1DJ. 0892 515616

March (M&G) Fund	104.9	110.2	—	—
March (M&G) Pens Fd	118.8	124.8	—	—
March (Target) Fund	103.4	108.9	—	—
March (Target) Pens Fd	57.1	60.2	—	—
March (Schroder) Fund	96.1	101.1	+0.3	—

Noble Lowndes & Partners Ltd
PO Box 144, Croydon 01-686 2466

Lowndes (Gter. Mgd.)	101.2	106.6	+0.6	—
Lowndes (Scn. Equit.)	102.0	107.4	—	—

The Norminster Group
71, London Rd, Peterborough, PE2 9BB 0733 42200

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Gx. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. φ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS
3-month call rates

Industrials	p		
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	40
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd.	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Market slide triggers coffee quota meeting

BY ANDREW GOWERS

THE PROSPECT that coffee export restrictions might be reimposed moved a small step closer yesterday, when the key official indicator price slipped below 145 US cents a pound (lb) for the first time since July.

As a result, the International Coffee Organisation convened a special meeting of its Executive Board for Thursday and Friday of next week to discuss the possible reintroduction of export quota controls. Member states agreed in September to meet once the ICO's 15-day moving average price dropped below 145 cents; it was quoted yesterday at 144.03 cents.

However, the signs are that agreement on measures to re-impose restrictions will be elusive because of deep-seated divisions between coffee exporting and importing countries over how the market should be carved up. Many observers believe that few of the countries involved are in any hurry to end the current free-for-all in the world market.

Quotas, the device by which the International Coffee Organisation normally tries to prop up world market prices, were automatically lifted last February following a sharp price rise resulting from a crop shortfall in Brazil, normally the largest producer and exporter. Under normal circumstances, they would be automatically reintroduced once the 15-day moving average stayed below 134.55 cents a pound.

However, the formula for dividing up the market expired at the end of September, and member states have failed so far to agree on a replacement. Quotas cannot return without such an agreement, either temporary or permanent.

Some importing countries have been pushing for a redistribution of quotas according to a variety of objective criteria, and trying to reduce Brazil's guaranteed market share of around 30 per cent. The Brazilians, embarrassed by their drought-reduced crop this year, have been equally adamant in resisting any such move.

For the moment at least, analysts believe the resulting impasse suits the interests of both sides—and of the other exporting countries, which are enjoying the opportunity to ship as much coffee as they can, and thereby possibly to boost their market share if and when quotas do come back. A statement on Tuesday night from a group of Latin American coffee exporters, saying that they planned to limit exports to 8.7m bags in the first quarter of next year was seen as an attempt to ward off quotas by boosting prices, and was widely disbelieved.

That quotas should be edging back onto the agenda of the world coffee market has come as a surprise to many participants, who were predicting a severe squeeze on supplies of some grades of coffee towards the end of this year. "I don't think any of them thought quotas would come back before the next coffee year, beginning in October 1987," said one observer.

The recent price fall, which has wiped a quarter off values since September, reflects unexpectedly ample availability of coffee in the consuming countries. There is no sign that this situation is about to change, since roasters are buying in a hand-to-mouth fashion and supplies from some key exporters of mild coffees such as Colombia and Costa Rica are expected to increase in the next few months.

If prices continue their downward trend, the exporters may begin to take the idea of controlling the market again more seriously. On the London robusta futures market yesterday, however, the March position closed at £1,898.50 per tonne, up £11.

Debate on ICCH intensifies

BY ALEXANDER NICOLL

DEBATE IS intensifying in London's futures and options markets about the future role of the International Commodities Clearing House (ICCH), which acts as the hub of London futures and options markets as well as a number overseas.

Radical reforms were signalled in September by the appointment of Mr John Barkshire, who heads the financial services group Mercantile House, as chairman of ICCH, which is owned by six banks.

Mr Barkshire was the founding chairman of the London International Financial Futures Exchange (Liffe), now ICCH's biggest customer. He was appointed to put into effect a new strategy for ICCH responding to the rapid internationalisation of financial and commodity markets.

Price Waterhouse has been commissioned to conduct a complete review of the clearing house and is expected to produce its initial conclusions in mid-December. Mr Barkshire has put together a steering committee with representatives from the major user exchanges.

Liffe is believed to have played an important role in Mr Barkshire's arrival, after becoming disillusioned with what it saw as a lack of coherent strategy from the board, which in turn undermined the effectiveness of its executive management. The Bank of England is understood to have been sympathetic to Liffe's interest in a strong chairmanship, and to have consulted with the shareholding banks.

Mr John Barkshire . . . new strategy

Liffe and other exchanges have campaigned successfully for steep reductions in clearing fees. But there is still a feeling that the services it provides are too costly and uncompetitive by international standards, and that its systems and services are not up to date with developments in the markets.

There are a number of crucial and intertwined issues facing ICCH, its advisers, owners and users.

First is the issue of ownership. The owning banks, which include the UK clearers, have essentially stood aside from ICCH's management since they acquired ICCH for £55m from the Trustee Savings Bank, but they do provide the guarantee which ensure that ICCH can stand behind the markets it clears.

It appears most likely that the restructuring will involve a change of ownership, either to the user exchanges or to the clearing members of those exchanges, but that the banks will, at least for the time being, continue to maintain the guarantee. Key to the negotiations on this will be the price paid to the banks for ownership.

To whom exactly ICCH will be sold will itself depend on the consensus on exactly what role it should play. There is a widespread view that ICCH should focus on being a utility for the markets, rather than a venture designed to earn profits for its shareholders.

Exchanges and clearing members would have differing, though similar, interests. The members tend to be prominent not only in the UK markets but also in many other futures and options exchanges around the world. Their concern would be likely to ensure that the London clearing system has common standards enabling them to compare exactly — if not offset — their positions and margin requirements around the world.

Clearing members may also be keener than exchanges to expand ICCH's activities into other areas than simply futures and options.

It is unclear what the effect of policy changes would be on ICCH's extensive operations in backing markets elsewhere in the world, for example, in Hong Kong and Australia.

The current review will, however, undoubtedly be dividing the services provided to London markets into their constituent parts and determining whether it need continue to provide all of them, since some exchanges feel they can provide some themselves.

Row looms over EEC beef imports

BY TIM DICKSON IN BRUSSELS

NEW EEC proposals to import almost 190,000 tonnes of beef next year look like creating a political storm in Brussels next week.

The plans—set out yesterday by the European Commission—are likely to be opposed particularly fiercely by France and Ireland at Monday's meeting of the Community's Farm Ministers.

Mr Francois Guillaume and Mr Austin Deasy, the Agriculture Ministers of the two countries, are expected to point out that sanctioning such a level of imports is inappropriate at a time when Community stocks of frozen beef are more than 620,000 tonnes and rising.

The Commission, however, points out that setting "quotas" for the import of certain types of beef on special terms is necessary in maintaining good trading relationships with non-EEC countries.

Its main proposal is to allow in 175,000 heads of young male animals in 1987, mainly from Hungary, Poland, Romanie and Yugoslavia and destined for Italy and Greece —this is the same quantity which was agreed by the Council of Ministers for this year, although the Commission had originally suggested a limit of 190,000.

The Commission is proposing that no concessionary imports of frozen beef should be allowed in 1987, after 25,000 tonnes this year.

Polish coal exports to decline

By Christopher Bobinski in Warsaw

POLAND'S NEW Mining Minister, Mr Jan Szlachta, has said that present capital investment trends in the industry mean that the amount of coal available for export will fall towards the end of the decade and beyond. According to plans now up for final approval by Parliament, Polish coal sales both to the East and West will drop to about 30m tonnes in 1990 from the 34m tonnes to be exported this year.

The Minister has urged greater energy savings at home to conserve the fuel and placed extra emphasis on sales of mining machinery to make up for losses in export. Future sales to hard currency markets are expected to fall even more quickly from the 24m tonnes in 1985 to 16m tonnes in 1990.

Poland's coal production this year is expected to reach 192m tonnes and the planned figure for 1990 is 195m tonnes, although this is placed in doubt by mining officials who continue to complain about the low levels of funds available for development and suggest that output by the end of the decade will stay at this year's level.

Price cuts expected to boost US farm exports

BY NANCY DUNNE IN WASHINGTON

LOWER GRAIN prices, forced by the Reagan Administration and the 1985 Farm Bill, could lift US farm exports to the highest volume in years, according to Mr Richard Goldberg, the US Agriculture Undersecretary.

Mr Goldberg speaking at the US Department of Agriculture's Outlook conference this week, said that American exports have been steadily increasing since new lower price levels first came into effect in June. Since August, exports have been topping last year's levels, and for 1987, the Department foresees sales increases of 3 per cent for soyabeans, 4 per cent for wheat, 11 per cent for coarse grains, 18 per cent for rice and more than a tripling in sales of cotton.

The lower prices, however, are likely to mean slightly lower dollar returns. For 1987, the USDA is projecting a total export value of $26bn, compared with $26.3bn for 1986. The US agricultural trade balance in 1987 is forecast at about $6bn, up from $5.45bn in 1986.

Competition will continue to be fierce. About 25 nations now have agricultural surpluses, said Mr Goldberg. The US is holding 200m tonnes of grain and 15m tonnes of soyabeans. The EEC has 20m tonnes of surplus cereals, 800,000 tonnes of meat and over 1m tonnes of butter.

"China is holding a huge cotton surplus," he said. "Taiwan is paying its farmers to feed its rice to hogs. Even Finland and Saudi Arabia now have grain surpluses."

Meanwhile, world demand for farm products can be expected to make modest growth, particularly in the Pacific rim countries.

Mr Goldberg predicted that many countries will continue to provide incentives to their farmers to increase production because "the notion that surpluses, rather than scarcity, are threatening the international order is simply too revolutionary for many countries to grasp."

In another speech, Senator Rudy Boschwitz of Minnesota recommended two changes to the US farm programme: eliminating the annual acreage reduction programme, which injures agribusiness, and decoupling farm income supports from requirements that certain crops be grown.

"We need to free the farmers up to plant what makes sense rather than keeping them locked into planting for the Government programme," he said.

Kleinwort wants to join ITC petition

By Raymond Hughes, Law Courts Correspondent

KLEINWORT BENSON, the merchant bank, which claims to be owed more than £7m by the International Tin Council (ITC) wants to intervene in next Monday's High Court hearing in which the ITC is trying to block an attempt to have it compulsorily wound-up.

The collapse of the ITC's price support operation in October 1985 left with debts estimated at £900m with metal brokers and banks which had lent it money against the security of warrants on tin held in its buffer stock. But that tin halved in value following the collapse.

The court yesterday gave Kleinwort Benson leave to apply tomorrow for permission to join in the case on the side of Amalgamated Metal Trading, a subsidiary of Preussag, the West German metals group, which has brought the winding-up petition.

The ITC is contending that it is governed by international law and immune from proceedings in the English courts.

The UK Government has already announced that it will be a party to Monday's hearing because the petition involves the UK's foreign relations with the other member states in the ITC.

Part of the ITC's case will be that the petition would involve the UK in a violation of its treaty obligations.

Yesterday Mr Michael Crystal, QC, for Kleinwort Benson, told Mr Justice Millett that, "for reasons unexplained to us," the ITC proposed to oppose the addition of Kleinwort as a party. AMT was content that the bank should be joined.

Mr Crystal said that Kleinwort was one of a series of banks claiming to be creditors of the ITC for very substantial sums.

Oilseed output deficit expected

By Nancy Dunne in Washington

WORLD OILSEED production is likely to turn into a deficit in 1987-88 after three years of surpluses, according to Mr Siegfried Mielke, editor of Oil World, the Hamburg-based newsletter.

In a paper presented at the US Department of Agriculture's Annual Outlook conference in Washington this week, Mr Mielke said that the cycle in world palm oil yields is turning downward this season and next, and a reduction in fertiliser application since January 1986 will hasten the decline in yields.

He predicted that Malasian palm oil production would decline 0.5 per cent this season and increase by only 4 per cent next season. In addition, he foresees declines in cotton seed, coconut and fish oils ahead and a slowing of the uptrend in sunflower seed oil output.

As a consequence, the world soyabean industry will experience a "revival" this year and next, he said.

Mr David Boll, executive vice president of Sperks Commodities, was not optimistic about the outlook for US Soyabean exports. While predicting a recovery in soyabean use, he said much of the demand will be met by production within importing countries, and the great can be supplied by the growth in South American production.

Fall in Ugandan cotton forecast

UGANDA'S cotton production for the 1985-86 season will drop to 45,000 bales from 50,815 bales in the previous year, the state-owned Lint Marketing Board said, reports Reuter.

Cotton output has continued to decline since the early 1970s, when Uganda produced 429,146 bales.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,370-2,470.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 2.05-2.20.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.86-0.92, sticks, 0.86-0.92.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.10-6.45.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 160-175.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.05-3.10.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.90-5.20.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 50-65.

VANADIUM: European free market, min 98 per cent V_2O_5 other sources, $ per lb V_2O_5, cif, 2.48-2.53.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

LONDON MARKETS

AFTER continuing its recent rally in early trading the coffee futures market reacted bearishly to yesterday's announcement that the preceding price slide had triggered the calling of a special meeting of the International Coffee Organisation next week to discuss the possibility of reinstating export quotas. Although the reintroduction of quotas would be expected to steady the market traders seem to have taken the view that next week's talks are more likely to highlight the problems which need to be overcome first and therefore to increase what the ?? ?? describe as the "downside potential" of the market. As a result the March position, which rose £43.50 to £1,930 a tonne early on ended the day only £11 up on balance at £1,898.50 a tonne. Meanwhile the cocoa futures market consolidated Tuesday's upturn, which had taken the International Cocoa Organisation's indicator price out of the buffer stock manager's potential "may buy" range, with a further rise of £10 in the March position to £1,448.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Dec. 2	Dec. 1	M'th ago	Year ago
1636.3	1817.1	1601.1	1703.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 0	Dec. 1	M'th ago	Year ago
Spot	120.02	120.42	—	121.60
Fut	118.22	110.7e	—	103.25

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 3 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1175/185	—5	$1220/240
Copper			
Cash Grade A	£923.2e	—1.75	£910
3 mths	£946.25	—1.5	£941.7e
Gold Troy oz.	$388.8	+4.75	$406.2e
Lead Cash	£355.2e	+4.25	£309.e
3 mths	£326.3		£313.e
Nickel			
Free Mkt	184/194c	—2	168/188c
Palladium oz	$117.1e	—0.e	$128.75
Platinum oz	$476.00	—9.3	$558.00
Quicksilver†	$160/170		$165/189
Silver troy oz	371.66p	—8.40	404.45p
3 mths	381.30p	—8.75	41e.10p
Tin			
free Mkt	£4830/880	—5	£4250/500
Tungsten	$47.64	+1.87	$46.00
Wolfram 22.0lb	$39/42		$30/42
Zinc	£533.95	+0.75	£602.e
3 mths	£533.25	+1.75	£587.5
producers	$870		$920
OILS			
Coconut (Phil)	$412.5z		$665
Palm Malayan	$510w		$330
Copra (Phil)	$850		$246
Soyabean (U.S.)	$160		$159
GRAINS			
Barley Fut. Mar.	£114.65	—0.05	£113.26
Maize	£146.50v		£143.00
Wheat Fut. Mar.	£116.80	—0.10	£111.50
No. 6 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1448.5	+10	£1522.5
Coffee Ft. Mar.	£1898.e	+11	£2247.e
Cotton A Ind.*	56.55c	+0.35	50.90c
Gas Oil Jan.	$128	+0.75	$106.e
Rubber (kilo)	63.ep	+0.5	66p
Sugar (raw)	$165.5z	+4	$155
Wooltops 64s	425p kilo		418p kilo

In tonnes unless otherwise stated. ‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb. z Dec-Jan. u Jan. w Feb.

ALUMINIUM

Official closing (am): Cash 778.5-7 (779-8.e), three months 791.5-2 (796.5-7), settlement 777 (779.5). Final Kerb close: 793-793.5. Turnover: 14,625 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	777-8	—6	775.6/775
3 months	793.5-3	—3.5	793.5/791.5

COPPER

Grade A	Unofficial close	+ or —	High/Low
Cash	923-3.5	—1.75	936/924.5
3 months	948-8.5	—1.5	956/948

Official closing (am): Cash 924.5-5 (924.5-6), three months 949-9.5 (949.5-50), settlement 925 (925). Final Kerb close: 951-52.

Standard			
Cash	898.5-6	—3.25	—
3 months	966.5-7	—1.75	998/987.5

Official closing (am): Cash 897-8 (897-7.5), three months 927-8 (926-7), settlement 898 (897.5). US Producer prices: 63.5-66.3 cents per lb. Total turnover: 13,475 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	355-6.5	+4.25	356/349
3 months	326-7	—	327/324

Official closing (am): Cash 349.5-50 (346.5-7.5), three months 325-5.5 (322-2.5), settlement 350 (347.5). Final Kerb close: 326-26.5. Turnover: 15,000 tonnes. US Spot: 24-29 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2628-30	—16	2635/2628
3 months	2568-70	—16.e	2568/2579

Official closing (am): 2,625-30 (2,556-80), three months 2,565-70 (2,590-1), settlement 2,530 (2,560). Final Kerb close: 2,570-73. Turnover: 1,362 tonnes.

TIN

Kuala Lumpur Tin Market: Close 17.00 (16.99) ringgit per kg. Up 0.1 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	533-3.5	+0.75	534/534
3 months	533-3.e	+1.75	534.5/531

Official closing (am): Cash 534-4.e (531.5-2), three months 533.5-4 (531-2), settlement 534.3 (532). Final Kerb close: 534-534.e. Turnover: 6,725 tonnes. US Prime Western: 44-47.5 cents per lb.

GOLD

Gold gained $4¾ to $392¼-$392¾ on the London bullion market yesterday. It opened at $384¾-$385¼, and was fixed at $385¼ in the morning and $389¾ in the afternoon. The metal touched a low of $384¾-$384¼ and a high of $394-$394¼, with the firmer trend triggered by buying in New York.

GOLD BULLION (fine ounce) Dec. 3		
Close	$390¼-390¾	(£273¾-274¼)
Opening	$384¾-385¼	(£268¼-269)
M'n'g fix	$385.02	(£269.104)
Aft'n'n fix	$389.7e	(£272.11e)

GOLD AND PLATINUM COINS		
Am Eagle	$405-410	(£283-286½)
Mapleleaf	$401½-405¾	(£280¾-283¾)
Kr'g'r'nd	$382-385	(£267-269¼)
½ Krug	$195¾-205¼	(£136¾-143.48)
¼ Krug	$97¾-105¼	(£68¼-73½)
Angel	$395-399	(£276¾-279)
1/10 Angel	$40-45	(£28-31½)
New Sov	$90-95	(£63-66)
Old Sov	$91¾-93¼	(£64¼-65¼)
$ 00 Eagle	465-510	(£325-356½)
Noble Plat	$484-494	(£338½-345½)

SILVER

Silver was fixed 5.4p an ounce lower for spot delivery in the London bullion market yesterday to finish at 371.35p. US cent equivalents of the fixing levels were: spot 531.25c, down 12c; three-month 538.8c, down 12.25c; six-month 546.8c, down 12.3c; and 12-month 563.85c, down 12.35c. The metal opened at 369½-371p (529½-531c) and close at 377-378½p (540-542c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	371.65p	—8.40	376.75p	+8.75
3 months	381.60p	—8.75	386.9ep	+8.75
6 months	399.00p	—8.05	—	
12 months	41e.10p	—8.45	—	

LME—Turnover: 27 (92) lots of 10,000 ounces.

Three months high/low 386.5, final kerb 386-8.5p.

SOYABEAN MEAL

Prices were on the defensive throughout the day under good commercial selling pressure in an otherwise quiet market, reports Muirpace.

	Y'sterd'ys close	+ or —	Business done
	£ per tonne		
Dec.	151.0-155.0		
Feb.	151.0-151.8	—1.00	151.5
April	151.0-151.5	—1.15	132.0
June	128.5-128.5	—1.50	
August	127.9-127.8	—0.75	128.0-127.8
October	129.2-129.0	—1.18	
Dec.	129.5-161.0	—1.85	

Sales: 105 (77) lots of 20 tonnes.

COFFEE

A statement from Latin American producers that they would limit first quarter 1987 exports to 8.7m bags brought steadiness to early dealings, reports Drexel Burnham Lambert. Trade selling pressure met with rises however and only the tightening January position showed significant gains at the close.

COFFEE	Yesterday's close	+ or —	Business Done
Jan	2022-25	+45.0	2050-2007
Mar	1897-00	+11.0	1950-1890
May	1900-05	—	1940-1896
July	1927-30	+ 1.0	1946-1918
Sept	1925-3e	—18.0	1960-1930
Nov	1940-50	—16.0	—
Jan	1940-50	—10.0	—

Sales: 3,288 (4,644) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for December 2: Comp daily 1979 137.06 (134.75): 15-day average 144.03 (145.63).

COCOA

Futures opened easier, as due, but regained the losses and rallied a further £10 on light commission house interest to close near the highs. Physicals were equally undistinguished with both producers and consumers absent at present levels, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or —	Business Done
Dec	1403-1405	+9.0	1404-1390
March	1448-1449	+10.0	1448-1431
May	1477-1479	+14.5	1477-1458
July	1500-1505	+17.5	1498-1465
Sept	1620-1688	+14.0	1522-1505
Dec	1648-1650	+14.5	1546-1529
March	1675-1670	+16.0	1577-1058

Sales: 2,914 (3,451) lots of 10 tonnes.

ICCO indicator prices Daily price for December 3: 90.09 (89.34) five-day average for December 4: 89.63 (89.77) US cents per pound. Daily price 1,643.00 (1,627.44): 10-day average 1,648.77 (1,653.53) SDRs per tonne.

POTATOES

The market was very quiet, trading higher for most of the day before late selling weakened prices as traders squared their books, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	111.00	111.00	111.00
Apr	160.00	160.50	161.60-158.80
May	178.00	176.00	178.10-176.00
Nov	88.60	89.00	88.60
Feb	97.00	98.30	—

Sales 378 (710) lots of 40 tonnes.

GRAINS

Old crop wheat opened on a slightly easier note following the tone from the previous day. Firm trades, however, were at unchanged levels as the market absorbed good November export figures. In very thin volume the market remained very close to unchanged before late selling interest emerged. Old crop barley was dull, with modest shipper to shipper trade, reports T. G. Reddick.

WHEAT			BARLEY	
Mnth	Yesterday's close	+ or —	Yest'rdy's close	+ or —
Jan	110.90	—0.05	113.60	—0.05
Mar	113.80	—0.10	114.65	—0.05
May	116.80	—0.20	116.ee	—0.85
July	117.65	—0.25	—	—
Sep	101.40	+0.05	100.7e	—
Nov	103.65	—0.05	103.25	—
Jan	106.60	—0.15	106.56	—

Business done — Wheat: Jan 111.00-110.85, March 113.80-113.80, May 113.65, July untraded, Sept 101.40-101.30, Nov 103.70-103.65, Jan untraded. Sales: 134 lots of 100 tonnes. Barley: Jan 112.55-112.50, March 114.70, May, Sept, Nov and Jan untraded. Sales: 34 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No. 1 13 per cent Dec 105.50, Jan 106.25, March 107.50. US No. 2 soft red winter Dec 110.00, Jan 112.00 sellers. French 11½-12 per cent Dec 140.50. English feed fob Dec 112.50-113.50, Jan/March 116.25-116.75 buyer/sellers, April/June 120.00 sellers. Maize: US No. 3 yellow/French transhipment east coast Dec 146.00. Barley: English feed fob Dec 114.00 seller Scottish, Jan/March 118.50 seller English, Jan/March 117.50 seller English/Scottish.

RUBBER

PHYSICALS — The London market opened steadier, attracted little interest at the higher levels and closed quiet and slightly easier, report Lewis and Peat. Closing prices (buyers): Spot 63.50p (63.00p); Jan 61.50p (61.00p); Feb 61.75p (61.25p). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 218 (213.5) and SMR 193 (same).

FUTURES—Index 644, Jan 650-660, Jan-March 655-665, April-June 665-675, July-Sept 671-680. Sales: Nil.

US MARKETS

COFFEE FUTURES remained in the doldrums as the active March position fell even further with trade houses being light scale-down buyers and commission houses being light scale-up sellers, reports Heinold. London did not provide direction nor any new developments and left New York without inspiration in largely featureless trading. Precious metals were all firmer but prices had eased off the highs and trading had slowed from moderate to fairly slow. After opening lower, sell-stops were hit in gold around $390.00, basis February and in silver around $5.40, basis March. Local and dealer trade buying ran the market up to the highs where profit-taking where profit-taking began, which cut into gains. As gold had been able to sustain a minor uptrend overall, precious metals could be picking up some momentum after being oversold earlier this week.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	48.65	—	—	48.75
Jan	49.05	—	—	49.20
Feb	49.30	—	—	49.50
March	49.50	49.60	49.60	48.83
May	49.80	—	—	50.1e
July	50.25	50.30	50.30	50.50
Sept	50.45	—	—	50.70
Dec	50.65	—	—	50.80
Jan	50.75	—	—	51.00
March	50.85	—	—	51.10

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1846	1838	1818	1818
March	1897	1900	1868	1856
May	1931	1935	1905	1895
July	1952	1962	1922	1913
Sept	1972	1975	1947	1933
Dec	1995	1970	1965	1951
March	2021	—	—	1976

COFFEE "C" 37,500 lbs, cents/lbs

	Close	High	Low	Prev
Dec	145.10	145.20	144.00	146.27
March	147.20	147.85	146.20	148.25
May	148.13	148.56	148.60	149.38
July	149.25	149.25	148.00	149.77
Sept	149.75	150.00	148.75	151.00
Dec	150.38	—	—	151.25
May	152.53	—	—	152.32

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	52.90	54.00	52.35	52.95
March	53.47	54.48	53.05	53.62
May	53.70	54.64	53.40	54.00
July	53.80	54.70	53.70	54.20
Oct	54.72	55.60	55.10	55.00
Dec	55.36	56.05	55.00	55.40
March	55.67	55.80	55.60	55.60
May	56.67	—	—	55.80

COPPER 25,000lbs, cents/lbs

	Close	High	Low	Prev
Dec	60.65	60.70	60.15	60.55
Jan	60.60	—	—	60.50
Feb	60.90	—	—	60.75
March	61.13	61.25	60.65	61.00
May	61.65	61.75	61.25	61.55
July	62.00	62.10	61.65	61.95
Sept	62.25	62.30	62.10	62.20
Dec	62.70	62.80	62.60	62.65
Jan	62.90	—	—	62.85
March	63.25	63.10	63.10	63.15

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Jan	1e.14	1e.28	13.08	1e.19
Feb	13.25	1e.42	13.20	15.32
March	13.27	1e.43	13.25	15.34
April	13.24	1e.40	1e.24	15.32
May	1e.22	1e.38	1e.27	15.30
June	15.25	1e.32	13.25	15.28
July	15.25	15.30	1e.25	15.26
August	1e.36	—	—	15.24
Sept	15.20	—	—	15.22

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	392.2	395.0	385.8	389.3
Jan	349.2	—	—	391.8
Feb	395.8	398.3	389.0	392.0
April	399.1	402.0	392.0	396.1
June	402.3	403.8	396.2	399.3
Aug	405.e	407.4	405.5	402.8
Oct	408.8	402.0	402.0	405.8
Dec	412.3	415.0	404.0	409.3
Feb	416.0	413.0	413.0	413.0
June	423.e	—	—	420.8
Oct	406.8	402.0	402.0	405.8

HEATING OIL 42,000 US gallons, cents/US gallons

	Close	High	Low	Prev
Jan	43.85	44.40	43.60	43.83
Feb	44.55	45.10	44.30	44.56
March	43.30	43.86	43.05	43.37
April	41.60	42.35	41.60	42.02
May	40.30	41.20	40.30	40.72
June	40.10	40.40	40.40	40.20
July	40.70	40.70	40.60	40.15
Aug	41.60	41.60	41.50	40.90
Sept	42.50	42.50	42.50	42.20

ORANGE JUICE 16,000 lbs, cents/lbs

	Close	High	Low	Prev
Jan	123.60	124.00	123.30	123.50
March	124.70	125.00	124.60	124.60
May	124.25	—	—	124.55
July	124.70	124.70	124.70	124.60
Sept	124.55	124.55	124.45	124.45
Jan	124.13	124.05	124.05	124.05

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	477.3	—	—	474.3
Jan	579.1	485.5	466.0	475.e
April	483.1	488.0	470.0	480.0
July	487.1	489.0	475.5	484.0
Jan	495.7	498.0	497.0	492.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	539.0	542.e	531.5	534.e
Jan	541.55	543.0	536.e	537.5
Feb	544.2	546.5	544.0	540.2
March	547.0	551.0	539.0	543.0
May	552.2	556.0	543.0	548.2
July	557.e	560.e	549.5	553.e
Sept	583.2	585.5	560.0	559.2
Dec	571.6	575.0	562.0	567.e
Jan	574.8	—	—	570.e
March	580.5	584.0	572.0	576.e

SUGAR WORLD "11" 112,000 lbs, cents/lbs

	Close	High	Low	Prev
Jan	e.45	8.60	e.45	8.48
March	7.01	7.07	e.94	8.99
May	7.14	7.20	7.05	7.10
July	7.24	7.27	7.14	7.18
Sept	7.28	—	—	7.27
Oct	7.38	7.44	7.33	7.39
Jan	7.44	—	—	7.45

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	e1.07	61.55	61.05	61.92
Feb	57.1e	58.13	57.10	58.30
April	56.85	57.65	58.77	57.60
June	56.25	56.80	56.15	56.75
August	55.40	55.65	55.25	55.65

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	55.30	56.07	55.17	56.25
Feb	31.70	52.60	61.55	52.60
April	45.92	46.87	46.95	48.87
June	48.05	48.65	47.72	48.70
July	47.60	48.45	47.40	48.25
August	44.87	45.70	44.60	45.70
Oct	41.05	42.05	41.05	41.95
Dec	41.55	42.55	41.55	42.65

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	166.e	169.2	166.2	168.0
March	173.8	177.0	173.4	175.e
May	179.0	182.0	179.0	182.0
July	180.8	183.8	180.4	183.8
Sept	182.4	186.0	182.4	185.0
Dec	186.2	188.2	186.0	189.0
March	192.8	195.4	192.4	196.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	70.50	73.17	70.50	72.60
March	69.10	71.45	69.10	71.10
May	86.52	70.80	68.52	70.52
July	67.20	69.15	67.05	68.27
August	64.65	66.40	64.30	66.90

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Jan	501.8	502.4	500.4	502.0
March	505.2	506.0	504.2	505.2
May	508.6	509.2	507.4	508.0
July	310.6	511.4	509.4	510.4
August	509.0	e10.2	508.8	508.5
Sept	501.0	502.4	501.0	499.4
Nov	502.2	502.6	500.2	500.2
Jan	e10.4	—	—	508.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	147.3	148.6	147.3	148.0
Jan	147.2	148.2	147.1	148.3
March	147.6	148.0	146.5	147.8
May	148.2	148.5	146.8	149.5
July	148.7	148.2	148.0	148.7
August	148.8	149.0	148.5	148.e
Sept	149.0	149.0	148.0	149.0
Oct	148.0	149.3	148.3	148.0
Dec	148.9	150.0	149.8	149.6

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	15.57	15.58	15.36	15.55
Jan	15.68	15.69	15.48	1e.51
March	15.97	1e.98	15.60	15.82
May	16.20	18.20	1e.05	1e.06
July	18.32	15.35	18.20	1e.20
August	16.30	18.30	16.15	18.21
Sept	18.15	15.15	18.10	18.10
Oct	18.17	15.20	16.03	1e.10
Dec	18.17	18.30	1e.1e	1e.10
Jan	18.17	15.15	16.20	15.10

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	288.8	289.0	286.4	289.e
March	284.e	286.0	282.4	284.2
May	266.8	267.0	265.0	266.4
July	243.4	249.0	247.4	248.e
Sept	249.0	250.e	248.0	249.4
Dec	254.0	256.0	254.0	254.4

SPOT PRICES—Chicago loose lard 13.50 (same) cents per pound. Handy and Harman silver bullion 539.0 (538.5) cents per troy ounce.

OIL

Interest in crude oil was almost entirely confined to few exchanges of Brent between months. January WTI opened 5c up on Nymex and traded 1c up by 1.30 pm EST. The petroleum products markets were very quiet. Gas oil firmed slightly on some demand for winter grade oil—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.90-13.9e	—
Brent Blend	14.60-14.7e	+0.075
W.T.I. (1pm est)	13.20-15.25*	—0.05
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	189-143	—
Gas Oil	191-106	+1
Heavy fuel oil	78-80	—
Naphtha	194-186	—

* January

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Dec	126.25	+0.75	124.00-22.00
Jan	128.00	+0.75	128.75-26.50
Feb	1e1.50	+1.05	132.00-28.75
Mar	129.00	+1.25	129.50-27.00
Apr	188.00	+1.75	128.00
May	128.75	+0.50	—

Turnover: 2,767 (2,062) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Dec.	78.50	+0.50	78.50
Jan.	78.60	—	78.60
Feb.	60.7e	+0.7e	—

Turnover: 1e (4) lots of 100 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 83.57p per kg lw (+0.81). GB—Sheep 200.28p per kg est dcw (+21.62). GB—Pigs 74.09p per kg lw (—2.30). GB—AAPP 39.44p per kg dw.

FUTURES—Pigs: Feb 95.80f, April 94.60. Sales: 15.

SUGAR

LONDON DAILY PRICE—Raw sugar $160.50 (£112.00), up $4.00 (up £2.60) a tonne for December-January delivery. White sugar $84.50, up 50c.

The market continued to consolidate Tuesday's gains, reports C. Czarnikow. Sales 2,419 (3,173) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £216.00 (£213.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for December: Daily price 8.11 (5.98) 15-day average 3.88 (same).

No. 6 Contract	Yest'rdy close	Previous close	Business done
	$ per tonne		
Mar	158.8-157.6	155.2-155.4	158.0-155.4
May	158.4-158.8	158.8-159.2	161.0-158.8
Aug	192.0-182.8	181.4-182.0	185.4-181.8
Oct	184.5-184.6	184.2-184.8	185.8-183.4
Dec	187.0-188.8	187.4-188.4	—
Mar	178.0-177.6	178.4-178.8	—
May	179.0-181.0	179.0-184.8	—

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Jan.	679/674	676/670	676/676
April	699/694	605/690	700/701
July	603/606	606	609/610
Oct.	702/706	706/700	705/712
Jan.	700/716	—	705/710
Apr.	760/750	—	770/790
July	640/680	—	656/662
Oct.	770/800	—	750/860
BFI.	791.5	—	730.5

Turnover: 192 (245).

	Close	High/Low	Prev.
Tanker			
Dec.	860/949	—	860/930
BTI.	953.e	—	943.5

Turnover: 0 (0).

مكتبة منار الأصيل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar ends near day's lows

THE DOLLAR closed around its lowest levels, but little changed on the day, in quiet foreign exchange trading. Economic news was disappointing, and with the Iranian arms sale scandal remaining a potential danger to President Reagan, the dollar failed to consolidate an early improvement based on covering of short positions.

Mr Beryl Sprinkel, economic adviser to President Reagan, said he believed the prospects for economic expansion next year are good, but forecast slightly higher inflation and lower growth in consumer spending next year. Mr Albert Wojnilower, managing director of First Boston Corp, predicted a further, but slower decline in the dollar in 1987, and only small reductions in the US trade and budget deficits.

A sharp fall of 9.6 per cent in October sales of new single family homes in the US tended to undermine confidence, and after gaining ground in early European trading the dollar retreated to close unchanged at DM 1.9725. The US currency improved slightly to Y162.25 from Y162.20, but fell to SFr 1.6415 from SFr 1.6440 and to FFr 6.4575 from FFr 6.4625.

On Bank of England figures the dollar's index rose to 110.0 from 109.9.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.4170. November average 1.4250. Exchange rate index rose 0.1 to 67.9, compared with 76.1 six months ago.

Sterling traded steadily against the dollar, but tended to give up early gains against other major currencies. In Danish ... the ... Government's commitment to maintain a firm exchange rate, made by Mr Nigel Lawson, Chancellor of the Exchequer, in a speech on Tuesday, provided support for the pound. It fell ¼ cent to $1.4315-1.4325; to DM 2.8250 from DM 2.83; to FFr 9.2475 from FFr 9.27; and to SFr 2.35 from SFr 2.375, but was unchanged at Y232.25.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9660. November average 2.0227. Exchange rate index 144.0, 134.2 six months ago.

The D-Mark was steady against the dollar, and locked in a narrow range. The US currency moved between DM 1.97 and DM 1.99, before closing in Frankfurt at DM 1.9755, compared with DM 1.9745 previously. A worse than expected figure on US single family home sales, and some disappointing economic forecasts pushed the dollar down from its best levels, but trading was fairly thin. There was also some nervousness ahead of today's publication of November US factory goods orders, which are expected to fall, after a rise of 3.4 per cent in October. The Bundesbank did not intervene when the dollar was fixed at DM 1.9813, compared with DM 1.9740 on Tuesday.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. November average 162.77. Exchange rate index 204.4 against 202.1 six months ago.

The yen showed little change against the dollar in dull Tokyo trading. Mr Satoshi Sumita, Governor of the Bank of Japan, said the yen is weakening against European currencies, and the central bank needs to pay more attention to the situation than it has done, but the yen is not particularly weak against the D-Mark. He added that the cross rate between the yen and the D-Mark has recently been at the same level as earlier this year. In Tokyo the D-Mark fell to Y81.90 from Y82.25. The dollar closed at Y162.10, compared with Y161.80 on Tuesday. Sentiment remained bearish for the US currency, but it failed to break out of its recent range, on a lack of new factors.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2457	+0.31	+1.09	±1.5368
Danish Krone	7.81701	7.85392	+0.47	+1.25	±1.6405
German D-Mark	2.11083	2.07943	−1.49	−0.71	±1.1127
French Franc	6.87316	6.81132	−0.90	−0.12	±1.3659
Dutch Guilder	2.37893	2.35045	−1.17	−0.39	±1.5059
Irish Punt	0.764976	0.763986	−0.13	+0.65	±1.6683
Italian Lira	1476.95	1441.26	−2.42	−1.99	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
$	0.698	1	1.973	162.5	6.458	1.642	2.229	1368.	1.382	45.05
DM	0.354	0.507	1	82.21	3.273	0.832	1.130	693.2	0.700	20.81
YEN	4.306	6.166	12.16	1000	39.82	10.12	13.75	8432.	8.519	253.2
F Fr.	1.081	1.549	3.055	251.1	10	2.541	3.452	2118.	2.139	63.58
S Fr.	0.426	0.609	1.202	98.83	3.935	1	1.359	833.3	0.842	25.02
H Fl.	0.313	0.449	0.885	72.75	2.897	0.736	1	613.4	0.620	18.42
Lira	0.511	0.731	1.443	118.6	4.722	1.200	1.630	1000	1.010	30.03
C $	0.505	0.724	1.428	117.4	4.674	1.188	1.614	989.8	1	29.72
B Fr.	1.701	2.435	4.804	395.8	15.73	3.997	5.429	3330.	3.365	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

UK rates show little change in quiet trade

INTEREST RATES were little changed in London yesterday in quiet and featureless trading. Sterling finished the day on a slightly firmer note, possibly helped by comments made by Mr Nigel Lawson, Chancellor of the Exchequer, which stressed the Government's desire to see no further significant depreciation in the pound's value. Three-month interbank money was quoted at 11⅛-11⅜ per cent unchanged from Tuesday.

Overnight money opened at 10⅞-10¾ per cent and touched 11½ per cent before slipping away to around 8 per cent. The lower close contrasted with an apparent underhelping by the authorities on the published forecast. Applications for British Gas were tending to create some degree of uncertainty and next Monday could see the market facing an exceptional shortage. In view of the one off factors involved, discount houses were hoping for an accommodating view from the authorities should any special credit facilities be announced to overcome the shortage.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a shortage of around £950m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £482m and Exchequer transactions £240m. There was also a rise in the note circulation of £155m and banks brought forward balances £65m below target. To help alleviate the shortage, the Bank offered an early round of assistance which totalled £192m and comprised outright purchases of £29m of eligible bank bills in band 2 at 10⅞ per cent, £47m in band 3 at 10¾ per cent and £116m in band 4 at 10$\frac{11}{16}$ per cent.

Further help was given in the morning of £231m through outright purchases of £27m of eligible bank bills in band 1 at 10⅞ per cent, £10m in band 2 at 10$\frac{13}{16}$ per cent and £158m in band 3 at 10¾ per cent. In band 4 it bought £10m of Treasury bills and £17m of eligible bank bills at all 10$\frac{11}{16}$ per cent.

In Frankfurt call money was quoted at 4.55-4.65 per cent compared with 4.60-4.75 per cent on Tuesday, as commercial banks received their allocations from the Bundesbank's sale and repurchase tender. A net £4.8bn was injected through the 35-day facility with the DM 15.8bn allocated outweighing two maturing agreements of DM 11bn.

FT LONDON INTERBANK FIXING

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES

US bonds stay firmer

US TREASURY bonds continued to improve in the London International Financial Futures Exchange yesterday. The March contract opened at 100-05 up from 99-02 on Tuesday. The firmer tone in Chicago on Tuesday prompted early short covering in London and the price hit a high of 100-12. A firmer dollar and reduced concern about the Iranian arms scandal helped to improve sentiment. A 9.6 per cent fall in US single family home sales was seen as a bearish factor for the US economy but underpinned prices in the futures market because it reduced the possibility of higher interest rates.

Tomorrow's US unemployment figures are seen as the next important guide although proximity of the weekend and the year end could possibly reduce the effect on the market. The March price failed to hold its early highs and finished at 100-04.

Euro-dollar prices opened firmer but any advance was hampered to some extent by a persistently high US Federal funds rate. The March contract opened at 94.10 up from 94.04 on Tuesday but traded in a narrow range before closing at 94.11.

Early strength in the long gilt sector appeared to run out of steam as the day wore on. Sterling's firmer opening pushed the March contract to 108-15 from an opening level of 108-11, up from 107-25 on Tuesday and values touched a high of 108-24 before slipping back to close at 107-19. Comments by Mr Nigel Lawson that he wished to see a strong pound provided background support.

Three-month sterling deposits traded quietly in a narrow range, gaining little inspiration from a static cash market. The March price opened at 88.65 and touched a high of 88.68 before closing at 88.63, little changed from 88.62 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

SWISS FRANC (IMM)

SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Dec.	0.6084	0.6090	0.6064	0.6075
Mar.	0.6117	0.6121	0.6094	0.6105
June	0.6146	0.6146	0.6127	0.6135
Sept.	—	—	—	0.6175

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Dec.	254.30	256.50	254.20	254.50
March	256.25	256.50	255.06	255.40
June	256.00	257.00	255.80	256.20

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

Company Notices

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	1986 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
102[illegible]	100[illegible]	Exch. 13¼pc 1987	100¼	.....	[illegible]	10.49
[illegible]	97[illegible]	Treas 10¼pcCv '87	99[illegible]	.....	[illegible]	11.59
9[illegible]	92[illegible]	Exch 2½pc 1987	9[illegible]	.....	2.[illegible]	10.95
[illegible]	97½	Exch. 10½pc 1987	99[illegible]	.....	[illegible]	11.31
[illegible]	9[illegible]	Funding 6½pc 85-87	98[illegible]	+[illegible]	[illegible]	10.20
[illegible]	96[illegible]	Treas. 10pc 1987	99[illegible]xd	.....	[illegible]	11.32
97[illegible]	90[illegible]	Treas 3pc 1987	96[illegible]	+[illegible]	3.1[illegible]	8.62
[illegible]	99[illegible]	Treas. 12pc 1987	100[illegible]	+[illegible]	11.[illegible]	11.18
[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	97	.....	7.[illegible]	10.52
104	96¾	Exch 10½pc '88	99[illegible]	+¼	[illegible]	11.21
[illegible]	95[illegible]	Treas 9¾pc Cv '88	98[illegible]	+¼	9.[illegible]	11.23
[illegible]	86[illegible]	Transport 3pc '78-88	92[illegible]xd	−¼	[illegible]	8.29
[illegible]	93[illegible]	Treas. 9½pc '88	97[illegible]	+[illegible]	[illegible]	11.24
107[illegible]	98[illegible]	Treas 11½pc 1989	100[illegible]	+[illegible]	11.47	11.32
103½	93[illegible]	Treas 9½pc Cnv 1989	96[illegible]	+[illegible]	9.87	11.31
92[illegible]	82[illegible]	Treas 3pc 1989	88[illegible]	−[illegible]	3.39	8.26
105[illegible]	95[illegible]	Treas 10½pc 1989	98[illegible]xd	+[illegible]	10.68	11.31
104[illegible]	94[illegible]	Exch.10pc 1989	96[illegible]	+[illegible]	10.32	11.37
107[illegible]	97	Exch 11pc 1989	99[illegible]	+¼	11.08	11.28
93[illegible]	84½	Treas 5pc 1986-89	89¼	+¼	5.60	9.35
110[illegible]	94[illegible]	Exch 10¼pcCv '89	100[illegible]	+[illegible]	10.24	10.21
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	104[illegible]	+[illegible]	12.47	11.31
108[illegible]	97[illegible]	Exch 11pc 1990‡‡	99[illegible]	+[illegible]	11.09	11.25
113[illegible]	101[illegible]	Exch. 12½pc 1990	103[illegible]	+[illegible]	12.10	11.27
89[illegible]	79[illegible]	Treas. 3pc 1990	84[illegible]	.....	3.57	8.46
100[illegible]	89[illegible]	Treas 8¼pc 1987-90‡‡	93[illegible]xd	.....	8.87	10.67
106[illegible]	93	Treas. 10pcCv 1990	96[illegible]	+[illegible]	[illegible]	11.27
86[illegible]	76½	Exch 2½pc 1990	80[illegible]	−[illegible]	[illegible]	8.30
112[illegible]	99[illegible]	Treas 11¾pc 1991	101¼	+[illegible]	11.[illegible]	11.33
94[illegible]	83[illegible]	Funding 5¾pc '87-91‡‡	86¾	−[illegible]	[illegible]	9.55
86[illegible]	79[illegible]	Treas. 3pc 1991●	79¾	−[illegible]	3.[illegible]	8.58
97[illegible]	95[illegible]	Treas 10pc Cv '91	96[illegible]	+[illegible]	10.[illegible]	11.09
110[illegible]	96[illegible]	Exch. 11pc 1991	99[illegible]	+[illegible]	11.[illegible]	11.24
		Five to Fifteen Years				
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	105[illegible]	+[illegible]	[illegible]	11.36
[illegible]	92[illegible]	Treas 10pc 1992	95	+[illegible]	[illegible]	11.27
[illegible]	94[illegible]	Treas 10½pc Cv 1992‡‡	97	+[illegible]	[illegible]	11.26
[illegible]	101[illegible]	[illegible] 12¼pc '92	10[illegible]	+[illegible]	11.[illegible]	11.45
[illegible]	[illegible]	[illegible] 13½pc 1992	108[illegible]	+[illegible]	12.[illegible]	11.49
100	93[illegible]	Treas 10pc 1993‡‡	94[illegible]	+[illegible]	[illegible]	11.28

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1986 High	1986 Low	Stock	Price $	+ or −	Div Gross	C'w	Y'ld Gr's
37⅛	28¼	Chemical New York	32⅞	+1⅛	$2.60	—	5.4
48⅛	26⅝	Chesebrough-Pond's $1	48[illegible]xd	.....	$2.08	—	2.9
31¼	19[illegible]	Chrysler $6¼	28[illegible]	+[illegible]	$1.40	—	5.4
42¼	33[illegible]	Citicorp $4	38[illegible]xd	+1½	$2.46	—	4.4
12[illegible]	774p	CityFed Fin. Corp.	882p	+69	40c	—	3.1
31[illegible]	21½	Colgate-Palmolive $1	31[illegible]	+1[illegible]	$1.36	—	3.8
850p	6[illegible]	Colt Inds. $1	7[illegible]	+[illegible]	$2.50	—	24.4
25[illegible]	16[illegible]	Cons Freightways $0.625	25[illegible]	+1[illegible]	82c	—	2.4
819p	366p	Cont'l Illinois Corp $1	367p	−9	—	—	—
89[illegible]p	11[illegible]	Cont. Illinois Hldgs $1	17[illegible]	.....	—	—	—
112p	39p	♦Corporate Data Scncs	112p	.....	—	—	—
13[illegible]	435p	Cullinet Sftwr $0.1	585p	−9	—	—	—
287p	34p	Damson Oil 40c	35p	.....	—	—	—
24[illegible]	17[illegible]	Dana Corp. $1	24[illegible]xd	+½	$1.28	—	3.5
33[illegible]	18[illegible]	Data General	22¼	.....	—	—	—
24[illegible]	8[illegible]	♦Derma-Lock Medical	12p	.....	—	—	—
79	55¼	Dun & Bradstreet $1	77[illegible]	+1[illegible]	$2.56	—	2.3
55[illegible]	42[illegible]	Eaton Corpn. 50c	55[illegible]	.....	$1.60	—	2.0
25[illegible]	18[illegible]	FPL Group $0.01	23[illegible]	+½	$2.04	—	6.0
13[illegible]	625p	Fairmont Financial	10[illegible]	−¼	—	—	—
24[illegible]	16[illegible]	First Chicago $5	22[illegible]xd	+[illegible]	$1.32	—	4.0
42½	25¼	Ford Motor $2	41[illegible]	.....	$2.60	—	4.2
28[illegible]	20	GATX 62½c	22[illegible]	−[illegible]	$1.50	—	4.5
59[illegible]	47[illegible]	Gen. Elect. $1¼	59[illegible]xd	+1[illegible]	$2.52	—	2.9
16[illegible]	612p	♦General Host Corp $1	926p	−36	22c	—	1.6
42[illegible]	24	Gillette $1	34¼	+[illegible]	$2.72	—	5.4
15[illegible]	10	Gt Am First Svgs Bk $1	12[illegible]	+[illegible]	[illegible]	—	1.4
31[illegible]	23[illegible]	Gt. Western Fin. $1	30	+1[illegible]	[illegible]	—	2.7
25[illegible]	18½	Greyhound $1.50	23[illegible]xd	+½	[illegible]	—	5.6
20[illegible]	11½	Hasbro Inc $0.50	16[illegible]	+[illegible]	[illegible]	—	0.4
57¼	42	Honeywell $1.50	40[illegible]xd	−[illegible]	$2.[illegible]	—	2.8
28	22[illegible]	Hospital Corp Am $1	24[illegible]	+[illegible]	[illegible]	—	1.4
25[illegible]	19[illegible]	Houston Inds Incl	25[illegible]	+½	[illegible]	—	7.5
112[illegible]	83[illegible]	IOM Corpn $1.25	90[illegible]	+1½	[illegible]	—	3.3
19[illegible]	12[illegible]	IC Industries	17[illegible]	−[illegible]	[illegible]	—	3.1
38[illegible]	25[illegible]	ITT Corpn. $1	38[illegible]	+[illegible]	[illegible]	—	1.8
314p	141p	♦Inmutron Inc	140p	+4	—	—	—
46[illegible]	34½	Ingersoll-Rand $2	41[illegible]	+1[illegible]	[illegible]	—	4.5
16[illegible]	12½	Insilco $1	15[illegible]	+[illegible]	[illegible]	—	4.5
12[illegible]	806p	IU Intnl. $1.15	18[illegible]	−[illegible]	[illegible]	—	4.0
40[illegible]	29[illegible]	Lockheed Crpn. $1	39[illegible]	−[illegible]	[illegible]	—	1.7
25[illegible]	18[illegible]	Lone Star Inds $1	23[illegible]xd	+½	$1.[illegible]	—	5.4

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

Finance, Land, etc

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- "Tap Stock".
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♠ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ♦ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 42
(International Edition Page 33)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 24	Dec 4	Dec 5	Dec 15
Dec 8	Dec 18	Dec 19	Jan 5
Dec 22	Jan 8	Jan 9	Jan 19

* New time dealings may take place from 9.00 am two business days earlier.

Equities hit by nervous selling and Government bonds turn back after early strength

The London stock market suffered a bout of nervous selling at mid-session yesterday as concern over the Trade Department's investigation into the affairs of Guinness continued to upset the City.

Despite initial firmness in both sterling and Government bonds, equities fell sharply, with shares of Morgan Grenfell losing nearly 10 per cent until a firm denial from the bank of rumours of boardroom resignations helped the market sto steady.

At the close, the FT-SE 100 index was 10.4 down nt 1615.1 after showing a 16 point fall at mid-session. The FT Ordinary index lost 9.3 to 1269.1.

The market's growing concern over the official investigation into Guinness, and the decision to prosecute the former equity clef of Morgan Grenfell, undermined confidance across a wide front. A weak feature was Standard Chartered, hit by press suggestions that the failed bid for Standard by Lloyds Bank might be the next for official scrutiny.

But the equity market was also pre-occupied with the closure of tha mammoth British Gas sale. Dealings in the "grey market" saw British Gas shares at 57p-60p, against the 50p partly-paid offer price.

The hlue chips were mostly easier, desplte tha overnight strength of Wall Street. Oil stocks performed fairly well, on the back of US demand, with Shell managing a minor gain.

A strong feature was Reuter. The stock is benefiting from arbitraging operations between News Corporation 5 per cent Redeemahle Convertible stock, which has convertible rights into Reuter B shares.

But Saatchi & Saatchi and Hanson Trust, awaiting results, gave ground in a generally nervous market.

Dealings in both P & O and European Ferries were suspended at the opening as both boards met and a statement was promised this morning on the possible takeover situation.

The gilt-edged market started well, on the hack of firmness in the pound which followed assurances by the UK Chancellor of the Exchequer of commitment to a firm exchange rate for the UK currency.

But early gains of ⅜ resulted in sales of two nf the official taplet stocks announced last week, and this quickly stopped the market in its tracks. By the close, long-dated gilts had renounced their early gains and were showing small net losses.

The FT Government Securities Index was 0.32 np at 81.55.

Morgan Grenfell sold

Morgan Grenfell, already o depressed market thls week in reaction to the DTI investigation at Guinness, were demoralised yesterday by rumours of further senior resignations in the wake of Mr Geoffrey Collier's sudden departure and prosecution. The shares, sold down to 337p at one stage, rallied on a denial from Morgans hut still ended e very nervous session 15 down at 353p, a far cry from the 500p level at which the shares were floated earlier this year. Willis Faber dropped 10 to 443p in sympathy. Other Merchant banks also fell away with Kleinwort Benson notahle for a decline nf 15 ot 490p Mercury International closed 15 lower at 398p. Mr Saul Steinberg recently increased his stake in the group to over 15 per cent. Standard Chartered, meanwhile, dropped sharply on rumours that it would soon be subjected to n DTI investigatioo and closed 44 cheaper nt 775p; only last week tha shares touched 835p on tha announcement that Mr Tan Sri Khoo Tech Puat had increased his stake in the company to 628 per ceot but since then Mr Puat has resigned from the Board as a result nf his eldest snn's involvement in the National Bank nf Brunei scandal and speculation is rife that his stake is now up fnr sale. Lloyds, which failed in a £1.3bn hid for Standard earller this year, reacted nervously to close 14 lower at 414p. Midland lost 11 at 537p and NatWest relinquished 8 et 483p.

Equity and Law, still reflecting the increased stake recently taken in the company by Mr Ron Brierley's IEP Securities, improved a couple of pence mnre at 311p.

Guinness succumbed to further nervous selling and closed 9 down at 278p; the shares have now fellen 51 since Monday's shock news of the DTI investigation into the company's affairs. Elsewhere, Bass declined 8 ot 720p awaiting today's preliminary results.

Leading Building issues ware marked higher at the outset, hut drifted back in the absence of follow-through demand to close with modest falls on halance. Blue Circle, a firm market of late on speculatinn ahnut a possihle hid from Australia's Adelaide Steamship, closed 6 cheaper at 640p as the company revealed that its shareholding In Blue Circle Southern Cement is for sale. BPB Industries eased 7 to 531p on lack of interest, while Marley shed 2 to 122p. Elsewhere, Derek Crouch touched 220p following the agreed offer worth some £28m from Ryan International before easing back to close 7 down al 211p. James Latham gained 46 to 333p in response to the excellent interim results, while Rowlinson firmed a penny to 52p on the satisfactory half-year figures. Tilbury Group hardened a couple of pence more to 206p; Raine Industries, mentioned as possihle hidders for Tilbury, added 1½ to 79p.

Chemicals displayed a dull feature in Morceau which slumped 60 to 148p following the board's profits warning and revelation that bid discussions had come to nothing. Allied Colloids hardened o penny to 240p following satisfactory interim results and Coalite improved 2 to 259p in reply to good half-year profits.

Leading Retailers succumbed to the malaise. Woolworth, recently favoured following confirmation of its application for a ADR facility on the New York Stock Exchange, reacted 12 at 658p, while Burton gave up 4 at 260p as did Dixons at 329p. Elsewhere, Goldsmiths gave np 4 at 248p on profit-taking, hut Stead and Simpsoo "A" revived with o gain of 8 at 92p. Among Shoe concerns, Pittard prnvided an isolated firm feature at 170p, up 12.

Racal up again

Racal continued firmly nt 183p, up 5 on a turnover of well over 8m shares, hut other Electrical majors were dragged lower by tha surrounding gloom. GEC encountered an active trade — 12m shares changed hands — in the wake nf the disappointing interim results and closed a couple of pence off at 167p. British Telecom closed a similar amount cheaper at 195p as did Plessey, at 169p. Elsewhere, Imtec dropped 4 at 17p, after 18p, on news of the £0.97m annnal deficit and forecast that the company had incurred a loss for the first-half of the current year. Memec fell 10 at 238p and Instem gave up 8 at 152p, but Oxford Instrument rallied from recent depression, closing 18 higher at 399p.

Leading Engineers were generally easier, although Vickers held steady at 386p. Elsewhere, Birmingham Mint closed 13 cheaper at 163p after tha interim results and final dividend forecast; the half-year figures were accompanied by an announcement of two acquisitions, o vendor placing of just over 2.5m shares at a price of 153p per share and a proposed 2 for 5 rights issue at 143p per share. Tace, down another 10 at 320p, continued to meet nervous offerings ahead of next Tuesday's preliminary figures. Simon Engineering, the subject of an unwelcome 280p per share takeover offer from Valuedale, fell 10 to 321p. United Spring eased 1 to 84p following the preliminary results, but Weir Group found support at 104p, up 4½ along with Manganese Bronze, a similar amount dearer at 81p.

Tate and Lyle settled 4 cheaper ot 580p following the annual profits much in line with market estimates, while Northern Foods shed 8 to 259p after revealing disappointing interim figures. Elsewhere in tha Food sector, recently-firm Hillsdown slipped 2 to 223p, while Ranks Hovis McDougall softeoed a penny to 284p. Christian Salveson shed 5 to 150p awaiting today's interim results. Cadbury Schweppes drifted off to close 2 cheaper at 182p.

Recent takeover favourite Grand Metropolitan encountered profit-taking and came back 11 to 456p.

Hanson actively traded

Hanson Trust, awoiting today's preliminary figures, were actively traded (12m shares) and finally settled 2½ cheaper at 190½p. In contrast, BOC continued to reflect satisfaction with the annual results and cinfident statement on the outlook, rising 24 more to 351p. BTR gave up a few pence to 273p, while Pilkington closed 4 down at 613p. Trafalgar House remained depressed by the annual statement and fell 6 more to 286p, but Unilever responded afresh to its proposed hid for Chesehrough Pond's of the US and put on ⅞ further to £21⅛. Among the international stocks, Glaxo held steady at 920p, helped by the strong overnight rise in American markets. Elsewhere, Pentland Industries advanced 15 to 470p as US dealing commenced in Reebok International. Satisfactory Interim figures left AAH a couple of pence firmer at 237p, hut the third quarter results failed to help Smith and Nephew, which gave up 6 to 118p. Speculative activity revived in Hestair, up 7 at 163p, while US favourite Reuters continued to make headway and put on 15 further to 583p. Centreway, reflecting the sale of a subsidiary to Birmingham Mint for £4.25m, advanced 7 to 29p. British Aerospace, on the other hand, turned easier at 495p, down 8, while profit-taking clipped 8 from J. Billam at 135p.

The possihility of the hid hattle for AE ending in a stalemate took a few pence off the price at 282p. Lucas Industries lost recent firmness at 468p, down 3, but Distributors presented a nnmber of good features. Perry spurted 5 to 126p. Evans Halshaw gained the same amount to 144p and Caffyns put on 3 mnre to 208p.

A report that Associated Newspapers was a shareholder in Herald and Weekly Times, holding a stake purchased at e price well below the level offered by News Curporation was good for AN. Demand was fairly persistent and eventually raised the AN share price 14 to 340p. A mid-week investment recommendation helped Gibbon Lyons rise 4 to 95p and Ferguson Industrial stayed at 212p following the acquisition of British Publishing for £1.4m cash. Awaiting today's annual results, Saatchi and Saatchi traded nervously at 670p, down 15, while fellow agency WCRS gave np 5 at 525p.

The Property leaders displayed modest falls as business contracted. Land Securities eased 4 to 341p and MEPC softened a penny to 354p. British Land, a recent takeover favourite, gave up 5½ at 186½p and Great Portland Estates slipped 2 to 190p. Against the trend, Greycoat attracted support and rose 8 to 250p, while Stockley edded 2 to 89p pending the outcome of bid talks between P & O and European Ferries; EF holds a sizable stake in Stockley's Heathrow property development project, Stockley Park. Parkdale firmed 3 more to 91p ahead of tomorrow's interim figures, while Grainger Trust rose 10 to 625p following the good annual results. A broker's recommendation prompted interest in Lynton, 8 up at 331p.

Following Monopolies Commission clearance of the merger situation between Peninsular and Oriental Steam Navigation and European Ferries, the listings of both companies were temporarily suspended with P & O at 523p and Euro Ferries at 112p. Elsewhere, British and Commonwealth drifted back 8 to 296p.

Better-than-expected annual profits coupled with an encouraging statement and current trading lifted Leeds 5 to 196p in a mixed Textile sector. Bulmer and Lumb improved 3 to 117p, but Illingworth Morris came back 5 further following comment on the lacklustre interim figures.

Smaller-priced investment Trusts came to the fore with Jopan Assets rising to 62½p and the Warrants gaining 2½ to 21½p on news that Anglo American Securities had increased its stake to 17.02 per cent. Danae Capital shares, up 2 at 20½p, benefited from the disclosure that trustees of a private car hire pension fund had disposed of 2.6m capital shares and no longer had a shareholding in that class of capital.

Oils easier

Another firm showing by oil prices at the outset of trading led to an improvement in the leading oils during early business. However, the subsequent weakness in equities coupled with lack of interest saw the top quality issues drift back to close with minor losses on balance. Shell, helped by overnight US support, closed 4 to the good at 949p and Royal Dutch put on ½ to £65¼. BP were left with a 2 decline at 677p, while Britoil slipped 1½ to 151p, and LASMO a penny to 146p. Ultramar, a firm market on Tuesday on news of the sale of its loss-making US subsidiary for $70m in cash, gave up a penny to 154p. IC Gas came under pressure and dropped 9 to 545p as Gulf Resources revealed that acceptances, other than their own, of their £750m offer for IC Gas totalled a mere 0.58 per cent; the Gulf bid was extended to December 23.

In the second-line issues Irish high-flyer Conroy Petroleum and Natural Resources shrugged off cautious Press comment and surged ahead to close 55 higher at 610p ahead of the annual meeting in Dublin next Monday when it is rumoured the directors will announce a five-for-one share split. Bryson Oil & Gas moved up 4 to 79p.

Sell advice in a mid-week newsletter touched off an easier trend in Harrisons and Crosfield, down 4 at 450p, while end-Account profit-taking brought Tozer Kemsley back 3 to 161p. Polly Peck were a dull market, reflecting e guarded Press comment ahead of next week's interim results, and lost 3 to 180p. This week's poor tea auction failed to deter a lumpy buyer of African Lakes and the share price rose to 68p before closing a net 3 up at 65p.

Golds lower again

An erratic performance by precious metals prices and the dollar/Rand rate led to a difficult day in South African mining markets. Initially share prices fell away, upset by an early fall in the gold price. However, a firm opening by the Financial Rand prompted good support for Gold shares by Johannesburg investors who were quick to take advantage of "cheap" prices in Rand terms. After the Rand inspired flurry, however, prices marked time until the early afternoon when a rally in the bullion price encouraged European and American buying interest although this proved insufficient to prevent most of the leading Golds from closing with widespread falls.

The bullion price, depressed at around $384 early in the session, picked up to close a net $4.75 higher on the day at $392.5.

The London-registered Consolidated Gold Fields fell away to 633p at one point, depressed by the early fall in gold and widespread profit-taking but later rallied to close only a net 7 cheaper at 663p. Rio Tinto-Zinc were a similar amount down at 683p.

The Gold Mines index lost 5.9 more to 317.0—a two-day decline of 14.8.

Traded Options

A brisk turnover in Traded Options included a particularly heavy trade in Hanson Trust ahead of today's preliminary figures; 7,862 contracts were written made up of 5,307 calls and 2,555 puts. GEC were also active with 3,379 calls and 3,045 puts done after comment on the interim results. Guinness, still reflecting the DTI investigation, attracted 2,428 calls and 383 puts. The overall total number of deals done was 38,683 comprising 25,271 calls and 13,412 puts.

Traditional Options

- First dealings Nov 17 Dec 1 Dec 15
- Last dealings Nov 28 Dec 12 Jan 2
- Last declaration Feb 19 Mar 5 Mar 19
- For settlement Mar 2 Mar 16 Mar 30

For rate indications see end of Unit Trust Service

Call options were taken out in Amstrad, Peek Holdings, Selec TV, Lonrho, GEC, Trusthouse Forte, Sears, Chloride, Guinness, Cannon Street Investments, Skyline and Woolworth. Turner and Newall were dealt in for the put, while double options were arranged in Sears and Amstrad.

FINANCIAL TIMES STOCK INDICES

	Dec. 3	Dec. 2	Dec. 1	Nov. 28	Nov. 27	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	81.55	81.23	81.13	81.75	81.77	83.79	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.58	88.41	88.58	88.55	88.55	89.33	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1,269.1	1,278.4	1,272.5	1,292.2	1,286.0	1,115.8	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	317.0	322.9	331.8	314.5	302.2	276.3	357.8 (22/4)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.48	4.44	4.47	4.41	4.44	4.41				
Earnings Yld.%(full)	10.40	10.30	10.38	10.26	10.31	10.96				
P/E Ratio (net) (*)	11.74	11.85	11.76	11.91	11.84	11.25				
SEAQ Bargains (5pm)	25,431	27,395	29,447	28,875	28,696	—				
Equity Turnover (£m)	—	962.86	896.35	1,146.02	750.20	745.74				
Equity Bargains	—	36,802	39,889	36,392	34,056	23,356				
Shares Traded (ml)	—	379.6	385.7	362.1	355.9	342.8				

S.E. ACTIVITY

Indices	Dec. 2	Dec. 1
Gilt Edged Bargains	119.2	122.1
Equity Bargains	238.5	258.5
Equity Value	1946.2	1811.7
5-Day Average		
Gilt Edged Bargains	132.4	137.7
Equity Bargains	240.0	241.0
Equity Value	2027.4	2035.6

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1279.6	1273.7	1274.6	1266.6	1264.9	1267.9	1268.3	1268.7

Day's High 1279.6. Day's Low 1263.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.27.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (129)

AMERICANS (8), BANKS (1), BUILDINGS (8), CHEMICALS (3), STORES (1), ENGINEERING (4), FOODS (4), HOTELS (1), INDUSTRIALS (14), INSURANCE (2), LEISURE (2), MOTORS (3), NEWSPAPERS (2), PAPER (3), PROPERTY (5), SHOES (1), TEXTILES (2), TRUSTS (57), OILS (1), OVERSEAS TRADERS (2), MINES (3).

NEW LOWS (19)

BANKS (1) Morgan Grenfell. BREWERS (2) Guinness 5¼pc Cnv. Prf, CHEMICALS (1) Morceau, STORES (3) Stormgard, Tip Top, World of Leather. ELECTRICALS (4) BAT Inds, Ferranti, Goring Kerr, INSTEM, ENGINEERING (1) TACE, FOODS (3) Avana, Northern Foods, Wold, INDUSTRIALS (3) Pacific Sales, Russell (A.), Sidlaw, LEISURE (1) Media Tech. Inc, MINES (1) Regent Mining.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
[illegible]							

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	96	8	9
Corporations, Dominion and Foreign Bonds	15	8	53
Industrials	379	582	561
Financial and Properties	206	142	231
Oils	25	32	55
Plantations	6	1	6
Mines	27	80	75
Others	90	46	65
Totals	844	899	1,055

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Wednesday December 3 1986

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Tues Dec 2 Index No.	Mon Dec 1 Index No.	Fri Nov 28 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (211)	[illegible]									
2 Building Materials (27)	[illegible]									
3 Contracting, Construction (29)	[illegible]									
4 Electricals (12)	[illegible]									
5 Electronics (38)	[illegible]									
6 Mechanical Engineering (61)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (16)	[illegible]									
10 Other Industrial Materials (21)	[illegible]									
21 CONSUMER GROUP (186)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (24)	[illegible]									
26 Food Retailing (16)	[illegible]									
27 Health and Household Products (10)	[illegible]									
29 Leisure (29)	[illegible]									
31 Publishing & Printing (14)	[illegible]									
32 Packaging and Paper (14)	[illegible]									
34 Stores (38)	[illegible]									
35 Textiles (17)	[illegible]									
36 Tobaccos (2)	[illegible]									
40 OTHER GROUPS (86)	[illegible]									
41 Chemicals (20)	[illegible]									
42 Office Equipment (4)	[illegible]									
43 Shipping and Transport (12)	[illegible]									
45 Telephone Networks (2)	[illegible]									
47 Miscellaneous (48)	[illegible]									
49 INDUSTRIAL GROUP (483)	[illegible]									
51 Oil & Gas (17)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (118)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (9)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (50)	[illegible]									
70 Other Financial (24)	[illegible]									
71 Investment Trusts (98)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (13)	[illegible]									
99 ALL-SHARE INDEX (731)	[illegible]									
FT-SE 100 SHARE INDEX ♦	1615.1	-10.4								

FIXED INTEREST

PRICE INDICES	Wed Dec 3	Day's change %	Tues Dec 2	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	[illegible]				
2 5-15 years	[illegible]				
3 Over 15 years	[illegible]				
4 Irredeemables	[illegible]				
5 All stocks	[illegible]				
Index-Linked					
6 5 years	[illegible]				
7 Over 5 years	[illegible]				
8 All stocks	[illegible]				
9 Debentures & Loans	[illegible]				
10 Preference	[illegible]				

AVERAGE GROSS REDEMPTION YIELDS — [illegible]

♦Opening index 1627.2; 10 am 1621.4; 11 am 1621.2; Noon 1611.4; 1 pm 1610.9; 2 pm 1613.6; 3 pm 1614.3; 3.30 pm 1613.7; 4 pm 1614.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
Allied Lyons (*301)	280	27	35	43	3	7	15
	300	13	22	30	15	17	23
	330	4	13	18	38	40	42
	360	1	7	—	68	70	—
[illegible]							

December 3. Total Contracts 38,683. Calls 25,271. Puts 13,412. FT-SE Index Calls 730 Puts 2074 *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO

Closing prices December 3

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices December 3

Total Sales 5,440,732 shares

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

NYSE-Consolidated 1500 Actives

TORONTO

MONTREAL Portfolio

* Indicates pre-close figure

SPAIN Madrid SE (30/12/85)	191.81	189.14	190.08	191.51	200.79 (8/10)	100.93	(3/1)
SWEDEN Jacobson & P (31/12/58)	2492.78	1453.12	2468.81	2500.07	2872.78 (7/11)	1729.57	(28/1)
SWITZERLAND SwissBankCpn (31/12/58)	591.5	587.7	586.8	598.88	625.5 (9/1)	437.2	(4/8)
WORLD M S. Capital Intl.(1/1/70)	—	353.7	351.8	350.5	368.9 (1/9)	249.8	(25/1)

** Saturday November 29: Japan Nikkei 18,325.5. TSE 1,507.51.

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds. $ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

LONDON Chief price changes

(In pence unless otherwise indicated)

RISES

Assoc. News	340	+14
Conroy Pet.	615	+60
Evans Halshaw	144	+ 5
Hestair	163	+ 7
Japan Asset	21½	+ 2½
Latham (J.)	333	+46
Leeds Group	196	+ 5
Lyntoo	331	+ 8
Oxford Inst	399	+19
Peotland Inds.	470	+15
Perry	126	+ 5
Pittard	170	+12
Reuters B	583	+15

FALLS

Birm Mint	163	−13
Blue Circle	640	− 6
Crouch (D.)	211	− 7
Deelkraal	210	−17
Grand Met.	456	−11
Guinness	279	− 6
Hartebeest	358	−24
Illingw Morris	118	− 5
Imtec	17	− 4
Lloyds Bank	414	−14
Mercury Intl.	398	−15
Morceau	148	−60
Morgan Grenfell	353	−15
Northern Foods	259	− 6
Saatchi & S	670	−15
Standard Chart.	775	−44
Traf. House	266	− 6

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

RAND MINES GROUP

(All companies are incorporated in the Republic of South Africa)

DIVIDEND DECLARATIONS

1 December, 1986

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16 7/8	13 5/8	ParkEl	.12	.8	18	40	16 1/8	15 7/8	15 7/8	−1/4
5 1/8	2 7/8	ParkDr	.04	1.5		1227	3 1/4	3	3 1/8	
30 1/2	30 1/4	ParkH s	.60	8.0	14	1257	27	26 3/4	27	
4	2 5/8	PatPtr				242	3 1/2	3 3/8	3 3/8	−1/8
20 5/8	5	Patten	e.98t	4.9	21	1364	20 3/8	19 3/4	19 7/8	+1/8
19 5/8	9 1/2	PayNP	.40	3.3	10	136	12 3/8	12	12 1/8	−1/4
27 1/2	14 1/4	PayCsh	.16	.8	16	439	20 1/4	19 7/8	19 7/8	−1/4
1 7/8	11-16	Pengo n				63	3/4	11-16	11-16	
62 1/2	48 3/4	PenCen			24	804	55 3/4	55 1/4	55 1/4	−1/2
88 3/8	52 5/8	Penney	2.48	2.9	14	2302	84 3/4	83 1/2	84 1/8	+1/8
45 3/8	28	PaPL	2.60	6.6	14	12553	39 3/4	39	39 5/8	+3/8
53 3/8	37 1/2	PaPL	pf4.50	8.7		z640	52 1/4	52	52	−1/4
100	71	PaPL	pf8.60	8.7		z4000	100	99	99	+3/8
30 1/4	28	PaPL	dpr2.90	8.7		6	30	29 7/8	30	+1/8
106 5/8	84	PaPL	pf9.24	8.8		z4790	106 1/2	105	106 1/2	−1/8
116 1/2	99 1/4	PaPL	pr 11	10.		z200	107 3/4	107 3/4	107 3/4	+1 3/4
95	67 1/8	PaPL	pr 8	8.5		z50	94	94	94	−1
99 1/4	74	PaPL	pr8.70	8.9		z50	98 1/4	98 1/4	98 1/4	
58	39 1/8	Pennwlt	2.20	4.2	21	222	54	52 3/4	52 3/4	−3/4
34 3/4	23 3/4	Pennw	pr1.60	5.1		12	31 5/8	31 1/4	31 1/4	−1/4
87	48 1/8	Pennzol	2.20	3.1	70	1228	72 7/8	71 1/4	71 7/8	−7/8
33 3/4	17 7/8	PeopEn	.32	5.8	10	348	22 3/8	22 1/4	22 3/4	+1/4
48 1/4	25 7/8	PepBoy	.22	.5	32	211	42 7/8	42	42 1/8	−1/4
35 3/8	22	PepsiCo	.64	2.3	17	8977	28 1/2	27 1/2	27 3/4	−5/8
13 1/8	11	PerkF	n.25e	2.0		186	12 1/2	12 1/8	12 1/2	+1/2
36 7/8	23 1/8	PerkEl	.60	2.1	19	2202	28 3/4	28 1/8	28 3/8	−1/8
7 7/8	5 1/4	Prmlan	.65e	11.	8	712	6	5 7/8	6	+1/4

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72 1/4	45 5/8	Xerox	3	4.0	13	6671	61 5/8	60 5/8	61	+5/8
58 1/4	54	Xerox	pf5.45	9.8		138	55 7/8	55 1/2	55 3/4	
28 3/4	20 3/4	XTRA	.64	2.7		1010	24 1/2	23 3/4	23 7/8	+1/8
18 1/4	15 1/2	Yorkin n				179	16 7/8	16 5/8	15 5/8	
49 3/4	28 1/2	ZaleCp	1.40	2.8		419	49 5/8	49 5/8	49 5/8	
39 5/8	22 1/2	Zale	pfA .80	2.0		0	39 5/8	39 5/8	39 5/8	
9 1/8	2 1/4	Zapata	.03j			308	3 5/8	2 1/2	2 1/2	
43 7/8	20 3/4	Zayre s	.32	1.2	10	2171	27 1/4	26 5/8	26 5/8	−3/4
17	9 3/4	Zemex	.40	2.0	22	46	14 1/2	13 3/4	13 7/8	−5/8
29 7/8	17 7/8	ZenithE				1559	20 1/2	19 7/8	20 1/2	+1/2
18 1/4	8	ZenLb s			66	924	10 7/8	10 5/8	10 5/8	
22 5/8	12 3/8	Zero s	.29	2.0	15	126	15 1/2	14 3/4	14 3/4	−5/8
45 1/4	32 3/4	Zurnin	1.32	3.2	17	193	41 7/8	41 1/2	41 1/8	
10 5/8	01 1/2	Zweig n				603	9 3/4	9 1/2	9 5/8	+1/4

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Pause taken after climb to peak

STOCK PRICES failed to maintain their upward momentum in heavy but directionless trading on Wall Street yesterday, *writes James Buchan in New York.*

Despite some support from the bond market, the main indices meandered each side of Tuesday's record close, unable to sustain a move in either direction.

The Dow Jones Industrial average closed down 8.44 at 1,947.13. The Dow Jones Transportation index did manage a record, gaining 4.91 to 863.75, while the New York Stock Exchange composite index lost a mere 0.04 to 145.04.

Traders said the market was catching its breath after Tuesday's record-breaking climb of 43.03 points to 1,955.7 in the Dow index. Although there were traders who argued that the Dow would be pushing the 2,000 level before the year is out, others expected the market to establish a new base first.

The market made a little progress in the first half hour, but soon ran into profit-taking. Volume was heavy.

Among blue chips, IBM was down $1⅛ at $128⅞ Exxon dropped $⅞ to 69⅞. AT&T was unchanged at $27⅞ and Procter and Gamble fell $1⅜ to $79¼.

General Electric rose $3⅜ at $88¼ after a favoursble analysts' meeting, Dow Chemical added $1⅜ to $61¼ and Coca Cola Enterprises, the recently floated bottling company, improved $¼ to $14⅜.

Pharmaceutical stocks, which helped to lead Tuesday's rally, continued to progress. Squibb was up $2¾ to $115⅝ while Eli Lilly put on $1⅛ to $77⅝.

Diamond Shamrock, the target yesterday of an unsolicited all-share bid from Mr T. Boone Pickens, rose $1⅛ to $14⅝.

Husky Oil, which is offering shareholders $11.80 a share in a restructuring plan, rose $1 to $8.

Chesebrough-Ponds, which has agreed to a bid of $72½ ffrom Unilever, continued to progress, adding $½ to $72⅛.

General Motors, under pressure since its agreement to buy out Mr Ross Perot from its subsidiary, rebounded $1¼ to $72 while its Class E stock, which is related to the performance of EDS, rose $⅛ to $28⅛. GM's Class H stock, geared to the earnings of Hughes aerospace, rose $⅞ to $40⅞.

BankAmerica, which announced it had agreed to sell its prized and profitable Italian subsidiary to Deutsche Bank, was unchanged at $14¾.

Credit markets remained in fine fettle, despite modest weaknes in the dollar and steady gold prices, drawing encouragement from continued suggestions that the economy remains feeble.

The main economic news of note, showing single-family home sales in October down 9.6 per cent and domestic car sales 2.45 per cent off in November, confirmed some bulls in their faith that the New Year could see the Fed easing its stance to provide some economic stimulation.

At the long end, prices were up 11/32 for the Treasury 7.5 per cent long bond, which stood at $102.04 to yield 7.32 per cent. Three month Treasury Bills edged up two basis points to yield 5.53 per cent, while six-month bills were unchanged at 5.63 per cent and year bills fell one basis point to 5.73 per cent.

With Federal Funds still very high, the Federal Reserve once again entered the market to make overnight system repurchases and was buying bills of all maturities but the Fed Funds rate still climbed to 7 per cent.

TOKYO
Utilities generate fresh rally

BOLSTERED by the overnight record on Wall Street, buying enthusiasm strengthened in Tokyo yesterday to drive equities higher almost across the board, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average gained 264.09 to 18,456.06. Turnover swelled from 420m to 1.03bn shares, the highest since 1.71bn shares changed hands on October 1. Advances led declines by 569 to 295, with 123 issues unchanged.

The strong rally was led by Tokyo Electric Power and Matsushita Electric Industrial. Other large-capitals and blue chips were also sought.

Tokyo Electric Power active with over 15m shares traded, rose Y350 to a record Y8,300 on buying by investment trusts and individual investors.

Matsushita Electric Industrial, also active with 22.92m shares, ended Y80 up at Y2,010 after reaching Y2,020 at one stage on continued small-lot buying by institutions. Buyers expect the consumer electronics group to grow steadily in the medium term.

Reflecting Tokyo Electric Power's strength, steels, shipbuildings and general contractors were in demand.

Nippon Kokan headed the active list with 112.75m shares traded. It added Y14 to Y246.

Many institutional investors are expected to sell shares they bought at high prices in October's rally. The market is expected to remain mixed under the crosscurrents of buying and selling.

Bonds rose strongly on buying by dealers, reflecting the overnight plunge in US interest rates and dim prospects for a rebound in rates in Japan and elsewhere.

The yield on the 5.1 per cent government bond due in June 1996, which is expected to become a benchmark issue, fell from 5.385 to 5.325 per cent in block trading on the Tokyo Stock Exchange. It later fell below 5.300 per cent and closed at 5.295 per cent on the over-the-counter market.

LONDON

NERVOUS SELLING developed in London yesterday in continued response to the Trade Department inquiry in the Guinness.

Initial firmness in both sterling and gilts failed to prevent a sharp drop among equities. The FT-SE 100 closed 10.4 down at 1,615.1, after a midsession drop of 16 points, while the FT Ordinary index lost 9.3 to 1,269.1.

Guinness dropped 8p to 279p on volume of 8.5m shares, while GEC continued to lose ground, 2p off at 167p, on high volume of 13m shares. Hanson Trust eased 2½p to 190½p on 12m shares.

The gilt market failed to carry through early gains. Rises of ⅝ resulted in sales of two of the official tablet stocks announced last week and this quickly stopped the market in its tracks. By the close, longs had given up their advances to show small net losses.

Chief price changes, Page 41; Details, Page 40; share information service, Pages 38-39

CANADA

INDUSTRIALS and oils were the only sectors to trade higher in Toronto where losses were seen among golds while utilities were largely unchanged.

Among industrial actives Canadian Pacific traded C$⅛ higher at C$17⅞. In the mining sector Dome Mines lost C$⅛ to C$10⅞ and Placer Development was unchanged at C$31. Black Hawk went against the trend and traded 10 cents up at 65 cents.

In Montreal utilities were marginally higher but industrials and banks were largely unchanged.

SINGAPORE

PERSISTENT UNCERTAINTY over the National Bank of Brunei slowed the pace of trading in Singapore. The Straits Times industrial index edged 5.27 higher to 888.81.

Sime Darby, most active with 1.4m shares traded, held steady at S$1.82 as Haw Par, also active, gained 5 cents to S$2.91. Genting third most active, added 20 cents to S$6.10.

Among mixed banks, DBS and OCBC were unchanged at S$8.90 and S$9.10, respectively, while OUB lost 2 cents to S$8.62.

HONG KONG

FOREIGN DEMAND pushed Hong Kong to its fourth consecutive peak as the Hang Seng index rose 1.80 to 2,460.

Early heavy selling by domestic investors prompted a downturn but overseas demand was triggered by Hutchison Whampoa, up 50 cents at HK$44.75, on its plan to set up a new holding ocmpany, Hutchison Telecommunications, to expand its telecom interests.

Institutional demand surfaced for Wharf Holdings on further speculation that it may reorganise its subsidiaries later this month. It rose 20 cents to HK$9.55, while its major shareholder World International firmed 5 cents to HK$3.85.

Dairy Farm began trading after its spin-off from Hongkong Land, ending at HK$4.45 after touching HK$4.90.

AUSTRALIA

THE BID for Herald & Weekly Times by News Corp dominated trading in Sydney and pushed the All Ordinaries index up 8.7 to 1,385.5.

The takeover attempt by Mr Rupert Murdoch helped offset bearish sentiment from a downgrading of Australia's long-term foreign credit rating by Standard and Poor's to Double – A Plus from Triple A.

Herald & Weekly Times jumped A$3.60 initially to match the A$12 per share offer by News Corp but closed later in Sydney with a A$2.90 rise to A$11.30 and with a A$3.10 gain to A$11.50 in Melbourne. News Corp dipped 50 cents to A$17 and James Fairfax was up 90 cents to A$9.50.

IEL, which holds about 12 per cent of Herald's capital, rose 50 cents to A$6.50, while Bell Group finished steady at A$8.10 after an early gain of 20 cents.

Golds encountered more selling pressure as bullion prices fell overnight. Central Norseman dropped 40 cents to A$13.50 and Placer Pacific slipped 7 cents to A$2.48.

SOUTH AFRICA

GOLDS fell sharply in Johannesburg amid selling by foreign investors, sparked by the firmer financial rand and lower bullion prices.

Among gold shares Driefontein lost R4.50 to R67.50 and Buffelsfontein was R5.25 down at R82. The lower trend spread to other minings including Rustenburg Platinum which shed R2.75 to R45.24 and diamond share De Beers which closed R2 lower at R33.50. Mining financial Anglo American fell R5 to R64.

EUROPE
US paves way for solid gains

BUOYED by Wall Street's record overnight advances, European bourses closed firmer in lively trading, although domestic factors acted to dampen some markets which ended off their highs for the day.

Oslo, however, fell sharply against the trend in reaction to the country's worsening economic problems and the Central Bank decision to raise deposit interest rates from 14 per cent to 16 per cent.

Stocks in the financial sector suffered as investors withdrew from the market. Among banks Christiana Bank og Kreditkasse fell for the second consecutive session, losing NKr 5.50 to NKr 172. Insurer Storebrand fell NKr 14.50 to NKr 290.

Elsewhere blue chip Norsk Hydro was down NKr 3 to NKr 145, Norsk Data was steady at NKr 206 and Electronics Bureau was NKr 8.50 lower at NKr 170.

Frankfurt, in contrast, was helped by Wall Street's advance as well as demand from foreign investors which boosted some blue chips. The Commerzbank index, set at midsession, closed 25.1 higher at 2,078.0.

Siemens, in the electrical sector, was one of the stocks which attracted foreign demand. It rose a healthy DM 13.80 to DM 753.80. AEG added DM 1.50 to DM 328.50.

Good gains were also seen in the car sector, despite closing off the day's highs. VW was DM 4.50 up at DM 435, Daimler firmed DM 16 to DM 1,349 and BMW added DM 4 to DM 600.

Banks resumed their advance helped by expectations of good interim profits figures from Deutsche today. Deutsche, which also [illegible] plans to buy more than 98 per cent of BankAmerica's Italian unit, rose DM 11 to DM 859.50, also off the day's high. Dresdner firmed DM 5 to DM 419.50 and Commerzbank gained DM 4.50 to DM 324.50.

Among firmer chemicals BASF added DM 5.50 to DM 277 and Bayer DM 2.10 to DM 318.10. Elsewhere steel group Thyssen added DM 3 to DM 155 and retailer Karstadt was steady at DM 504.

Sharp rises were also seen in the prices of bonds amid strong demand from local and foreign investors. Long maturities added up to 85 basis points.

The Bundesbank sold DM 176.9m worth of paper after buying DM 91.2m on Tuesday.

Stockholm was encouraged by news of lower interest rates and leading industrials all ended the session with the strongest gains seen for almost two months.

Pharmacia rose SKr 5 to SKr 211. Other blue chips were also well up including Volvo which rose SKr 5 to SKr 362. Ericsson, the telecommunications and information systems group, was up SKr 2 at SKr 228 and Electrolux added SKr 8 to SKr 327.

Zurich closed marginally firmer in active trading following Wall Street's gains although some profit-taking set in.

Banks, insurers, chemicals and some other industrials all closed the session firmer with registered stocks showing generally better gains than the bearer shares.

Among the banks Union Bank bearer closed SFr 20 higher at SFr 5,990 after touching SFr 8,010 early in the session.

Gains among chemical stocks were less marked than other sectors. Ciba-Geigy added SFr 40 to SFr 3,515, but Sandoz fell against the trend to close SFr 15 lower at SFr 9,910.

Elsewhere, Nestlé rose SFr 100 to SFr 9,675 and Jacobs-Suchard firmed SFr 25 to SFr 8,975, below its high for the day of SFr 9,100.

Amsterdam saw good advances among the internationals although overall the market ended the session on a mixed note.

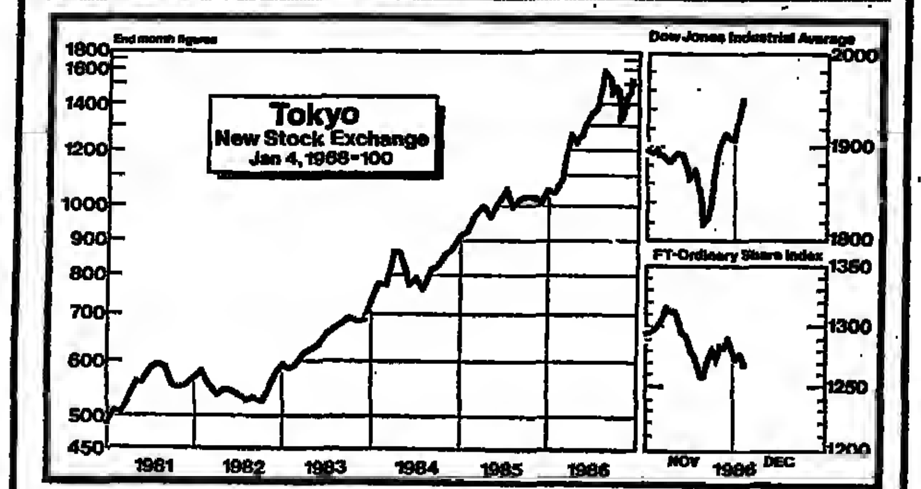
In the international sector Unilever, on continuing reaction to its planned takeover of Chesebrough-Pond's, rose FL 3 to Fl 519. Royal Dutch closed Fl 1.5 up at Fl 209, Akzo 40 cents up to Fl 163.40 and Philips 60 cents higher at Fl 47.60.

Belgium closed firmer helped by late buying which boosted financial holding groups. However, some dampening was felt because yesterday was the last day of the current trading account.

Among financial holdings Sofina rose BFr 175 to BFr 12,050. Elsewhere chemical Solvay added BFr 60 to BFr 8,560 and insurer Royal Belge added BFr 100 to BFr 4,600.

Paris followed the upward trend on the back of Wall Street's record. **Madrid** was led higher by good gains in the construction and chemicals sector but Milan closed mixed after losing some early gains although demand was seen for insurance stocks.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 3	Previous	Year ago
NEW YORK			
DJ Industrials	1,947.13	1,955.57	1,459.06
DJ Transport	863.75	858.84	690.78
DJ Utilities	213.84	214.47	163.83
S&P Composite	253.85	254.00	200.86
LONDON			
*FT Ord	1,269.1	1,278.4	1,115.8
FT-SE 100	1,615.1	1,625.5	1,415.6
FT-A All-share	807.02	811.28	685.29
FT-A 500	883.07	887.68	753.84
FT Gold mines	317.0	322.9	276.3
FT-A Long gilt	10.69	10.75	10.30
TOKYO			
Nikkei	18,445.06	18,191.0	1,005.72
Tokyo SE	1,532.26	1,506.49	394.54
AUSTRALIA			
All Ord.	1,385.5	1,376.8	986.7
Metals & Mins.	681.20	679.5	484.1
AUSTRIA			
Credit Aktien	234.30	235.52	233.92
BELGIUM			
Belgian SE	4,061.20	4,038.53	2,949.14
CANADA			
Toronto			
Metals & Minls	2,065.00	2,075.2	1,854
Composite	3,070.80	3,060.5	200.86
Montreal			
Portfolio	551.09	1,550.5	137.86
DENMARK			
SE	196.45	(u)	223.88
FRANCE			
CAC Gen	404.50	398.3	242.7
Ind. Tendance	160.50	157.9	90.5
WEST GERMANY			
FAZ-Aktien	689.26	681.25	574.58
Commerzbank	2,079.00	2,053.9	1,694.2
HONG KONG			
Hang Seng	2,460.00	2,458.20	1,664.06
ITALY			
Banca Comm.	713.67	709.13	442.94
NETHERLANDS			
ANP-CBS Gen	286.40	283.2	234.8
ANP-CBS Ind	284.10	281.4	212.8
NORWAY			
Oslo SE	365.93	372.98	394.54
SINGAPORE			
Straits Times	888.81	883.09	c
SOUTH AFRICA			
JSE Golds	—	1,950.0	1,166.0
JSE Industrials	—	1,396.0	1,031.0
SPAIN			
Madrid SE	191.32	189.14	98.43
SWEDEN			
J & P	2,942.76	2,453.12	1,612.72
SWITZERLAND			
Swiss Bank Ind	592.50	587.7	535.2

WORLD	Dec 2	Previous	Year ago
MS Capital Int'l	353.7	351.5	242.7

COMMODITIES

(London)	Dec 3	Prev
Silver (spot fixing)	371.35p	379.75p
Copper (cash)	£923.25	£897.25
Coffee (March)	£1,900.00	£1,978.50
Oil (Brent blend)	$14.675	$14.60

GOLD (per ounce)

	Dec 3	Prev
London	$392.50	$387.75
Zürich	$393.25	$389.00
Paris (fixing)	$386.33	$393.28
Luxembourg	$385.35	$394.75
New York (Feb)	$395.8	$392.9

* indicates latest pre-close figure

CURRENCIES

(London)	US DOLLAR Dec 3	US DOLLAR Previous	STERLING Dec 3	STERLING Previous
$	–	–	1.4320	1.4345
DM	1.9725	1.9725	2.825	2.83
Yen	162.25	162	232.25	232.25
FFr	6.4575	6.4625	9.25	9.27
SFr	1.6415	1.6440	2.35	2.3575
Guilder	2.2290	2.2290	3.1925	3.1975
Lira	1,367.5	1,367.50	1,958.25	1,961.50
BFr	41.05	41.10	58.80	58.95
C$	1.3830	1.3825	1.9785	1.9830

INTEREST RATES

	Dec 3	Prev
Euro-currencies (3-month offered rate)		
£	11 7/16	11 7/16
SFr	4¼	4¼
DM	4⅞	4⅞
FFr	8 11/16	8 11/16
FT London Interbank fixing (offered rate)		
3-month US$	6 7/16	6 7/16
6-month US$	6⅜	6⅜
US Fed Funds	8½*	5⅞
US3-month CDs	5.80*	6.025
US3-month T-bills	5.38*	5.55

US BONDS

Treasury

		December 3* Price	Yield	Prev Price	Yield
6⅝	1988	100 5/32	6.165	100 5/32	6.218
7⅛	1993	101 19/32	6.87	101 1/32	8.931
7⅜	1996	101 15/32	7.047	101	7.107
7¼	2016	102 10/32	7.309	101 19/32	7.369

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Dec 3* Day's change	Yield	Day's change
1–30	160.94	+0.36	6.81	−0.04
1–10	152.71	+0.18	6.51	−0.03
1– 3	142.26	+0.10	6.17	−0.03
3– 5	155.62	+0.18	6.59	−0.03
15–30	190.33	+0.96	7.75	−0.05

Source: Merrill Lynch

Corporate	December 3* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	92.218	8.35	92.218	8.35
SCBT South Central				
10⅞ Jan 1993	106.75	9.425	106.75	9.425
Phibro-Sal				
8 April 1996	99.125	8.126	94.34	8.10
TRW				
8⅜ March 1996	103	8.275	103	8.275
Arco				
9⅞ March 2016	109.125	8.984	109.75	8.93
General Motors				
8⅛ April 2016	92.625	8.83	83.25	8.77
Citicorp				
9⅜ March 2016	99.375	9.441	100.50	9.32

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Dec	101–09	101–20	101–05	100–26
US Treasury Bills (IMM)				
$1m points of 100%				
Dec	94.70	94.71	94.67	94.67
Certificates of Deposit (IMM)				
$1m points of 100%				
Sept	—	—	—	—
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Dec	93.94	93.96	93.92	93.92
20-year Notional Gilt				
£50,000 32nds of 100%				
Dec	107–14	108–14	107–19	107–20

* Latest available figures

هكذا من الأصل